

Peace dividend Arms makers seek new alliances



Fingerprinting gold New techniques to combat fraud



Lucky country Australia goes for growth



Today's surveys Power generation Forest products

FINANCIAL TIMES

Eurotunnel aims for \$1.27bn with latest rights issue

Eurotunnel is likely to seek about £850m (\$1.27bm) in its forthcoming rights issue – 20 per cent more than expected by the stock market, dwarfing its four previous equity-raising exercises. The disclosure of the sharp increase in the Channel tunnel operator's refinancing requirements comes as it faces continuing problems in raising £700m of new senior bank loans. Page 21

BAT buys into Uzbekistan: BAT Industries, the UK digarette and insurance giant, is to take a majority stake in the state-owned tobacco industry of the former Soviet republic of Uzbekistan. Under the agreement BAT will invest \$200m during the next five years. Page 20

Fed meeting stabilises markets: US financial markets firmed as dealers anticipated that today's meeting of the Federal Reserve's policymaking open market committee would end the uncertainty over interest rates. Page 20

lalawi hopes for brighter future:



129 36

Malawi ranks among the 15 poorest nations in the world. Nearly half the country's children are stunted by mainutrition and seven out of 10 women cannot read. Many believe that today's parliamentary and presential elections will end 30 years of domination by President Hastings

Banda (left). But any new government will find it difficult to explain to impoverished Malawians that democracy alone is no guarantor of prosperity.

Barclays acts to offset losses: Barclays is to hedge itself partially against further losses on its £4.2bn UK property loan portfolio by issuing £150m of derivative debt securities to offset the risk. Page 21; Lex, Page 20

Wal-Mart winning discount store battle: Contrasting results from Wal-Mart and Kmart, the two biggest US discount store groups, highlight how Wal-Mart is continuing to grow at Kmart's expense. Page 21

Lufthansa heads back to black: Lufthansa is on its way back to profitability after three years of losses, according to the German airline's chief

Moslems renew efforts at Tuzia: Moslem forces tried to push forward around Tuzia, the biggest Bosnian government stronghold in the north-east, as an upsurge of fighting defied renewed efforts to end the war in Bosnia. Page 3

Syria praises US peace efforts: Syria welcomed US efforts to broker progress in peace talks with Israel after US secretary of state Warren Christopher delayed his departure from Damascus for more talks before carrying the results of his

US Senate flexes its muscles: President Bill Clinton's conduct of foreign policy has been heavily criticised in academic and establishment circles, but increasingly the US Senate seems ready to act where most others merely write in complaint. Page 9

Oil Ilnks China and Saudi Arabia: Hisham Nazer, the Saudi oil minister now on his first visit to Beijing, will seek more extensive cooperation with China in the oil sector. Page 8

London police to carry guns: Armed police will become a more familiar sight in London under measures announced by the UK government. For the first time, some officers will be routinely allowed to carry guns in holsters. Page 10

Spanish pick-up boosts Telefónica: Telefónica, the partly privatised Spanish telecom-munications group, showed a 15 per cent increase in consolidated net profit in the first quarter to Pta17.34bn (\$126m). Page 22

Strikes challenge ANC government: Although South Africa's new government has been hoping to focus on development issues, strikes have broken out among South Africa's provincial government employees, and ambulance workers in Pretoria have walked out. Page 6

Quércia to run for presidency: Mr Orestes Quércia, one of Brazil's most controversial politi-cians, will run as presidential candidate of the country's largest party, the Brazilian Democratic Movement, following his victory in a party vote at the weekend. Page 9

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Delors attacks German plan for EU deregulation

By Lionel Barber in Brussels

Mr Jacques Delors, president of the European Commission, yes-terday launched a blistering attack on a German plan, strongly supported by Britain, to push for faster deregulation inside the European Union.

His intervention reopened political divisions over the degree to which the EU should promote labour market liberalisation in order to strengthen competitive-ness and tackle unemployment. But it also reflected fears in Brussels that Germany, the Union's most powerful member, may be tempted to challenge the

Commission on industrial and social policy. Mr Delors' message was delivered to two meetings of EU finance and foreign ministers in Brussels. He singled out for criticism a German economics ministry initiative to create a taskforce

of experts to root out unneces-

sary Euro-legislation. But Mr Kenneth Clarke, UK chancellor of the exchequer, said the proposals put forward by Mr Gunter Rexrodt, German economics minister, were an "excellent idea". British experience showed that the only way to make progress on deregulation was to bypass the bureaucracy, he said.

President Delors is resisting this," Mr Clarke said. "He gave a splendid illustration of how bureaucracy will not reform its Divisions reopened over liberalising labour market

own procedures and is somewhat impervious to suggestions that we might make faster progress in relieving the burden on industry caused by excessive legislation."
Mr Theo Waigel, German finance minister, stressed that the Rexrodt plan should not be seen as signalling mistrust towards the Commission. Other German officials noted Mr Rexrodt's initiative was unveiled ahead of a German election campaign in which it was important to address the concerns of Ger-

man Eurosceptics.
Other countries, notably Belgium and Portugal, warned that efforts to roll back Brussels' legislation risked damaging the European single market and the Commission's authority.

France, whose rightwing coali-tion government is struggling to balance its commitment to privatisation and liberalisation without incurring higher unemployment, remained on the fence. Ironically, it was Mr Delors

who propelled the debate over deregulation to centre stage with his request, a year ago, to prepare a discussion document on jobs, growth and competitiveness. The 12 heads of government endorsed the paper at the Brussels summit last December. The paper was more in favour of labour market deregulation than expected, but strongly defended the social chapter of the Maas-tricht treaty, which seeks to preserve trade union influence.

Aides to Mr Delors stressed that the Commission president was not opposed to deregulation. and they pointed to his call yesterday for a "big step" towards faster deregulation of Europe's telecommunications market.

But they added that the Commission president was concerned that the UK and Germany had "hijacked" the message of labour market deregulation at the expense of the rest of the docu-

In particular, they pointed to its call for generous financing of so-called trans-European networks - the huge, multi-billion dollar investments in road, rail, energy and telecommunications. Mr Delors' fears appeared to have been confirmed when EU

finance ministers again blocked

Commission efforts to win sup-

port for special funding for the

Brussels chief draws a line in the



Silvio Berlusconi, Italy's new prime minister, pictured in parliament yesterday, has pledged that his government will expand the country's role in Europe and seek to widen its influence in international

took place yesterday in Amster-dam. Roadshows will be held in state's eventual aim is to reduce its shareholding to about 30 per

cent

The company's first roadshow

more than 20 other financial cen-

tres in Europe, North America

The shares are to be listed in

and East Asia.

EDS and Sprint in talks on **'strategic** alliance'

General Motors said yesterday it was considering spinning off its Electronic Data Systems subsidiary to pave the way for a possible merger or strategic alliance between EDS and Sprint, the US telecommunications group.

EDS and Sprint simultaneously confirmed that they were in talks which could lead to a "merger of equals" or other types of alliance. A marriage between EDS, the world's largest computing services company, and Sprint, the third largest long-distance US carrier, would create a new information services powerhouse, with annual revenues of more than \$20bn. GM said EDS would best be able to pursue a strategic alliance if it were an independent

EDS has held discussions with numerous potential telecommunications partners in recent years -including British Telecom - but has found it hard to clinch an alliance because of its unusual ownership structure.

GM, which acquired the company in 1984 from its founder, Mr Ross Perot, retains ownership of its assets, but holders of a special type of GM stock, known as class E. have a claim on EDS's dividend stream.

GM said yesterday it was con-sidering spinning off ownership of EDS to Class E stockholders through an exchange of shares. provided this transaction was tax free. GM bought EDS for \$2.5bn, but the company now has a market value of around \$15bn, so sale of the group could trigger a large tax liability. It will be up to the US Internal Revenue service to decide whether the spin-off is for legitimate business purposes rather than tax avoidance.

GM said the spin-off would be dependent on two other factors. It must be able to conclude a plan, announced last week, to inject the remaining \$6bn of class E stock held by its treasury into its underfunded pension plan; sells a second tranche of shares and the spin-off must not result

> Continued on Page 20 Compatible partners at the multi-media ball, Page 21 Editorial Comment, Page 19 World stocks, Section II

Share price to be set next month for biggest flotation seen on Amsterdam stock exchange

Dutch telecoms sell-off may raise over \$4.2bn

By Ronald van de Krol In Amsterdam

Shares in the state-owned Dutch postal and telecommunications company are to be sold to investors early next month at between Fl 46 and Fl 52 each, valuing the company at Fl 21bn to Fl 24bn

(\$10.9bn-\$12.5bn). The Dutch government, which yesterday released details of the long-awaited sell-off, said it would float up to 138.15m shares in Koninklijke PTT Nederland (KPN), representing 30 per cent of its 100 per cent holding in the company. The banking syndicate, led by ABN Amro, will be allowed to sell an additional

20.72m shares if demand is heavy.
If the shares are offered at the

top end of the range and the banks exercise their option to sell the extra tranche of shares, the

forecast a flotation price of between Fl 45 and Fl 55.

About half the shares are likely for equity and merchant banking, said "pre-marketing" talks had tional in London. KPN is expected the complete the c flotation could raise more than Fl 8bn for the state

At the lower end of the range, the shares would still be worth more than FI 6bn, making the flotation the biggest in the history of the Amsterdam stock

The price per share will be announced on June 6 after a book-building period among institutional investors. The subscription period opens the same day and runs until June 9 with trading in KPN shares expected to start on June 13. The price range of Fl 46 and

F152 is roughly in line with pre-dictions by analysts, who had

to be sold in the Netherlands, investors around the world in the York by the time the government with the rest divided among the UK, US and the rest of the world.

Late last month, the banking syndicate announced that private investors would receive a price discount of about 5 per cent on allotments up to 75 shares. They will also be given preferential treatment in the allocation of shares, though details have not

yet been released. Government officials said yesterday some 200,000 potential private shareholders had requested detailed information about the flotation.

Mr Wilco Jiskoot, ABN Amro's

Greek interest rates soar amid fears of devaluation

By Kerin Hope in Athens

Greek interest rates soared to record levels yesterday amid speculation the government may be forced to devalue the drachma, following its surprise decision to free short-term capital

To avoid renewed pressure on the Greek currency, the central bank raised the overnight borrowing rate from 30 per cent to 33 per cent and imposed a surcharge of 0.4 per cent daily - equivalent to an annual rate of 186 per cent. The three-month interbank lending rate shot up to 48.5 per cent from 25 per cent on Friday.

The interest rate rise seemed to have the desired effect, with the drachma holding its own yesterday against major currencies, closing yesterday at Dr148.2 against the D-Mark compared to Dr147.70 on Friday and at Dr247.9 against the dollar compared to Dr247.1 on Friday.

Dealers said the surge in interest rates, which saw the onemonth interbank rate touch 70

UK Nows

per cent, reduced pressure on the drachma early in the day and the central bank was not forced to intervene. Last week, the Bank of Greece spent some \$1bn out of foreign exchange reserves total-ling around \$9.5bn to support the

currency. The government lifted all restrictions on short-term capital movement at the weekend, six weeks ahead of schedule, in an attempt to ease mounting pres-sure on the drachma. Central bank officials said overnight interest rates (including the surcharge) would go "into four fig-ures if necessary" to protect the

currency. But analysts said pressure on the drachma would quickly resume as such high interest rates could not be sustained for a long period. A fall in rates would fuel fears of a devaluation.

On the other hand, the government would be reluctant to devalue the drachma ahead of next month's European parliament elections. A devaluation would most likely lose the Social-

ists several percentage points at the polls in June, in their first electoral test since taking office

Instead, the central bank may have to abandon its "hard drachma" policy, intended to restrict depreciation this year to around 7 per cent, and let the currency slide more rapidly. "We should expect increased depreciation, perhaps an extra 3 and 5 per cent, over the next couple of weeks," said Mr Spiros Damaskos of Sigma Money Brokers.

The Bank of Greece is in the uncomfortable position of having to defend the drachma on its own, as Greece has never joined the European Union's exchange rate mechanism, which would allow it to call on other EU central banks for support.

The government is relying on today's issues of Ecu- and dollarlinked bond issues at higher interest rates to prevent a heavy outflow of capital and boost foreign exchange reserves.

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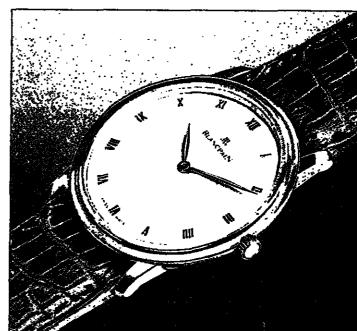
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in two or three years. The Dutch

state's eventual aim is to reduce

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FINANCIAL TIMES TUESDAY MAY 17 1994

By Andrew Hill in Milan and Judy Dempsey in Berlin

Riva, the private Italian steelmaker, has joined forces with German and Italian steelmakers to bid for the special steels division of Ilva, Italy's state-owned steel company, only days after dropping its offer for Eko Stabl, the east German manufacturer.

Fried Krupp of Germany and the Italian companies Riva, Falck and Tadfin, lodged a bid last week for Acciai Speciali Terni, one of two main Ilva divisions to be privatised.

its offer for Eko Stahl emerged on Friday and the Italian company has refused all comment on why it broke off negotiations with Germany's Treuhand privatisation agency.

In a statement issued yesterday by Lazard and Morgan Grenfell Italia, which are advising the Italo-German bid for AST, the members of the consortium promised "a long-term commitment" to the state-owned com-

Iri, the Italian state holding company, is also reported to be consider-ing offers from Steno Marcegaglia of and two separate bids for the flat ent, Eko Stahl ships its slabs for bot steel division of Ilva. The Trenhand, meanwhile, is

looking for a new buyer for Eko Stabl. It has been trying to sell the company for three years and the European Commission had approved a DM813m (\$487m) German government subsidised modernisation plan provided privatisation was complete by June 30 this year.

The agency has wanted to modernise the plant by integrating its steelmaking and its steel processing operations. That would involve build-

rolling to plants in western Germany. These are then returned and cold

Eko Stahl and the Treuhand have struggled to find credible ways in the past few years to sell the plant. One plan involved converting the site into a large modern mini-mill to melt scrap metal. This would have allowed them to close the last two working blast furnaces, but would have involved heavy job losses.

Even with steelmaking retained on the site, the modernisation plan - cism by the industry

Mr Ken Iversen, chairman of Nucor, a large integrated mini-mill operation based in North Carolina, has his doubts.

"In terms of efficiency, the management might just about get away with it with these large numbers. But I am not so sure," he said. "It would be difficult to save lots of jobs and have efficiency at the same time."

Eko Stahl employed more than 12,000 before German reunification

Italy and the French-owned Ugine, ing a new hot rolling mill. At preswhich would save 3,000 jobs until the News of Riva's decision to abandon St Petersburg's belief in better times fades

Reform has brought citizens little more than hardship, writes Leyla Boulton



Dzerzhinsky. founder of Soviet Russia's Europe's hated secret

changing police, still decorates the orates the lobby of St Petersburg's police headquarters. Other than that, little tangible is left of the communist era as Russia's second city forges ahead with pioneering market reforms that have brought its inhabitants hardship, bewilderment, and mixed

hopes for the future. Mayor Anatoly Sobchak, a pro-western reformer, dreams of transforming this port city of 5m people into an important financial centre and haven for foreign investment. Convincing the European Bank for Reconstruction and Development to hold its annual governors' meeting in St Petersburg last month was part of his efforts to "sell" the city to the outside world.

But the main challenge facing him and other liberals

that market reforms deliver tangible benefits for ordinary people in time for presidential and parliamentary elections

Few of his fellow citizens believe he can. Popular cynicism is such that city council elections last month almost aborted when turnout - traditionally high in the Soviet era - only reached the required 25

The discontent centres on crime and corruption, an

On the bright side, foreign and local investment in the retail sector has already contributed to a boom of westernstyle shops, restaurants and hotels in a city with consider-

potential. A few big companies such as Gillette, ABB, and Unilever - have started to invest in the city's ailing manufacturing sector. But the trickle of investment has yet to

"We can handle political

parliament and government in taking the decisions he needs from them. These range from state subsidies for transport to lower business costs, a reduction in companies' tax burdens and new laws to fight economic crimes ushered in by market reform.

Mayor Anatoly Sobchak dreams of transforming the city into an important financial centre

instability, inflation, and even the Mafia," says an executive for RJR-Nabisco, which makes cigarettes at a privatised local tobacco plant. "But what we can't handle is the unstable legal and tax regime. That's

plans for an economic renaissance are hampered not just by psychological and bureaucratic barriers to investment but by the "slowness" of the Russian

Although he has already talked three western banks, the BNP-Dresdner alliance and Crédit Lyonnais, into setting up subsidiaries in the former imperial capital, they have

Lacking both the volume of Moscow's forex market and the porate clients, western banks, as everywhere else in Russia lending opportunities.

"If Sobchak wants to make the city a financial centre, he has to offer appropriate incentives," says Mr Yevgeny Yelin, head of St Petersburg's Currency Exchange, where welled dealers trade dollars and D-Marks underneath a portrait of Catherine the Great. That has not stopped his exchange and 27 leading banks and investment funds from initiating a regional system for clearing share transactions in an effort to build a western-

style stock market. However, despite Mr Sobchak's help in securing premises for western companies,

new factory employing 400 peo-

But the price he has to pay for driving a top-of-the-range Mercedes, owning a beautiful house and having a daughter who has learnt fluent English at private school and visited 12 countries, is to keep himself "free of enemies". This means paying off not just the criminal Mafia, which at least does favours for him in return, but also corrupt officials.

"All I encounter from the state are extortion attempts by bureaucrats. If I knew that my money was being spent usefully I would not try to avoid

paying taxes," he says. Major General Arkady Kramariev, the city's police chief, who admits that corruption is rife among city officials, the judiciary, and even his own men, says the good news is that crime fell 11 per cent in the first quarter of this year. St Petersburg, with 845 murders last year compared to 150 a decade ago, is now only as dangerous as the most crime-ridden cities of western Europe but still safer than New York

or Washington. Gen Kramariev says that much of the crime nowadays is due to an antiquated legal system which cannot cope with the requirements of a market economy. When, for instance, businessmen refuse to repay their debts, creditors' only resort is "Judge Kalashnikov" because by the time a court takes a decision it is "meaning-

large part of the probwith an increase in domestic crime due to a loss of old certainties. Many citizens are convinced life is getting worse even if, in some areas, it is getting better.

Despite earning a decent monthly salary of Rbs365,000 thanks to government attempts to strengthen law enforcement, Captain Victor Koverzin, a police officer who patrols the city's elegant tourist area, plans to vote for Mr Vladimir Zhirinovsky, the ultra-nationalist leader, as the country's next president. His wife has been in effect laid off by a defence plant which has been closed since January but continues to pay her Rbs25,000 a month, just enough to buy a pair of shoes at one of Mr Gerasimov's stores. While Capt Koverzin does not believe all Mr Zhirinovsky's promises, he thinks that "at least the world will stop pushing us around" if one of the few leaders "untainted by office" comes to

Mr Alexei Kudrin, the deputy mayor responsible for economics, is optimistic that economic reform will produce an upturn in time for 1996. "The next two years will see the economic crisis peak, with unemployment and restructuring of enterprises. Hopefully, by that time there should also be some results, with the creation of new jobs and new manufacturing capacity."

The big unknown is whether an increasingly weary public will appreciate the improvements by the time they take place.

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EUROPEAN NEWS DIGEST

Russian loses ministerial job

Mr Sergei Shakhrai, 38, a Russian deputy prime minister, became the first casualty of the recently reformed Russian cabinet when he yesterday lost his post as nationalities minister, though he kept that of deputy premier.

His successor, Mr Nikolai Yegorov, is a governor of the Krasnodar region who has shown conspicuous loyalty to Russian President Boris Yeltsin and appears to be benefiting from it. Like Mr Shakhrai, he is from a Cossack background. The Russian press has speculated that Mr Shakhrai's loss of position stemmed from his sturdy opposition to Mr Dzhokar Dudayev, president of the breakaway autonomous Russian republic of Chechnya - with whom the Russian president is

now seeking a rapprochement.

Mr Shakhrai had earlier called for presidential elections in Chechnya as a condition for talks with a man who has defied Russian central authority for more than two years.

Mr Shakhrai had created a centrist grouping in the small but influential Party of Unity and Accord, which boasts two deputy prime ministers, Mr Shakhrai and Mr Alexander Shokhin, the deputy prime minister for the economy. Both have taken a centrist position after some time in the liberal camp, and both have strongly supported Mr Victor Chernomyrdin, the prime minister. John Lloyd, Moscow.

Portuguese bugging row grows

The discovery of a hidden microphone in the Portuguese attorney general's office and allegations that other leading officials are subject to electronic surveillance are producing a climate of intense suspicion in the country, with parliamen-tary deputies, political parties, trade unions and other bodies calling for police to search their premises for bugging devices. Mr Anibal Cavaco Silva, the prime minister, has ordered a full-scale investigation to find out who placed the miniature microphone under floorboards directly beneath the chair of attorney general José Cunha Rodrigues. Suspicion fell on the government intelligence service, SIS, after Mr Joso Maria Marques de Freitas, attorney general on the Portuguese island of Madeira, accused SIS agents of placing an electronic bug in

Press reports that the telephones of at least five cabinet ministers were also being tapped has led to suggestions that commercial espionage might be involved. Some of the ministers have been engaged in the adjudication of important government contracts. Peter Wise, Lisbon.

New French daily launched

The beleaguered French press yesterday gained yet another new recruit when the first issue of Paris 24.00 landed on the capital's news-stands despite production problems that halved the size of its print-run.

Paris 24.00 managed to produce only 50,000 of a planned 110,000 copies, but its first issue was virtually sold out by tunchtime. The new daily, which is aimed at the mass market with a mini-tabloid format and FFr3 cover price, is described by Philippe Lecardonnel, editor-in-chief, as a "city paper" that could be "read in 15 minutes on the metro without getting your fingers dirty or poking your neighbour in the eye". Parls 24.00 is the third new daily launched in France this year. infoMatin and Aujourd'hui, two tabloids which were introduced in January, have seen their daily sales settle at 95,100 and 74,000 respectively. Alice Rausthorn, Paris.

Peugeot chief warns on sales

Mr Jacques Calvet, chairman of Peugeot Citroen, the French motor group, yesterday warned that the French car market was still in a fragile state and that sales were likely to fall again once the short-term stimulus provided by the government's incentive scheme wore off. The car market was badly affected by the recession last year, with the number of new car sales falling by 18.3 per cent. However a government scheme to offer payments of FFr5,000 to people trading in vehicles more than 10 years old to buy new cars helped to fuel a 138 per cent sales increase during the first four months of this year. Yet Mr Calvet said on French radio that the scheme was likely only to have a short-term effect and that car sales "may fall or even return to a relatively weak level" when it ends next year. Alice Rousthorn, Paris.

Strike to close Greek airports

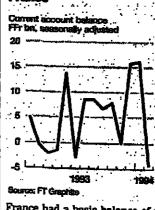
Greek air traffic controllers announced a 48-hour strike beginning today that would paralyse the nation's airports and create chaos for thousands of fans arriving for the European Champion's Cup football final tomorrow evening. A civil aviation union official, Mr Dimitris Petrissis, said yesterday the walk-out was called to protest against legislation under debate in parliament placing civil aviation employees under the control of local governors. About 300 extra flights were scheduled to arrive in the next 24 hours from Spain and Italy carrying fans for the AC Milan-Barcelona game. AP, Athens.

SPD criticises business chiefs

The German opposition Social Democrat (SPD) leader, Mr Rudolf Scharping, has rebuked business leaders for throwing their weight behind the conservative chancellor, Mr Helmut Kohl, ahead of elections on October 16. In a letter to Mr Hans Peter Stihl, head of the German Federation of Chambers of Commerce (DIHT), made public yesterday, Mr Scharping defended his party's policies and denied that taxes would rise under an SPD government. Mr Stihl said last week that an SPD victory would be bad for the economy and the labour market. "Your taking sides with the ruling coalition is one-sided and based on false premises," Mr Scharping said in the letter, Reuter, Bonn

ECONOMIC WATCH

French current account slips



France's current account slice to a FFr4.3bn (£500m) season ally adjusted deficit in Febru ary from a FFri6.1hn surplus in January, the economics ministry said yesterday. The ministry said that the deficit reflected interest coupon pay ments on French governmen bonds to non-residents and an unusually large French contribution to the European Union that month. The gov ernment said that its definitive surplus for 1993 was FFr59.5bn, or 0.5 per cent of 1994 gross domestic product, compared with FFr20.5hm, or 0.8 per cent of GDP, in 1992.

France had a basic balance of payments deficit in February of FFr51.68bn, compared with a deficit of FFr24.42bn in January and a surplus of FFr13.90bn in February 1983, the ministry said. The cumulative deficit in the first two months of 1994 was FF176.10bn, compared with a surplus of FF130.65bn in the

first two months of 1993. Italy's public sector deficit narrowed to a provisional L16.100hn (£6.7bn) in the period January-February 1994 from a L21,410bn deficit in the corresponding period of 1993, the treasury announced yesterday.

Norway's trade surplus rose to NKr2.86bn (£284m) in April from NKr1.67bn in March, the Central Bureau of Statistics said. The cumulative January-April surplus fell to NKr14.55hr from NKr20.81bn in the same period a year ago. Denmark's unemployment in the first quarter of 1994 ros to 13.7 per cent of the workforce, compared with 13.0 per cent

in the first quarter of 1993, according to the Danish national

100

A bust of Felix around the country is ensuring able tourist industry growth due in 1996.

per cent minimum after polling was extended by a day.

inability among pensioners and the lower paid to make ends meet, nostalgia for the fixed prices and safe streets of the old order, and a lack of investment to restructure or convert St Petersburg's numerous defence plants to civilian

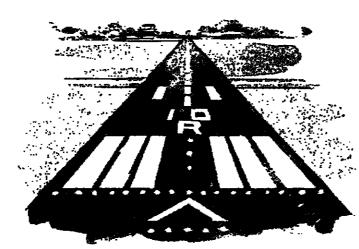
where it all breaks down." Mr Sobchak says that his

found little to do.

capital's range of western corare nervous about local

Russian entrepreneurship has so far flourished in spite of, rather than thanks to, the authorities. A living embodiment of this state of affairs is Mr Vladislav Gerasimov, an exnavy captain who, three years after acquiring the city's first privatised shop, has become a millionaire. This summer he plans to start manufacturing the womens' shoes he has been importing from China, at a

Sunset.



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UNITED AIRLINES

French airline in Heathrow complaint

By David Buchan in Paris and Jenny Luesby in London

The Anglo-French "airport war" yesterday took another twist as Air Liberté, a small private French airline, said it was complaining to the European Commission about its failure to get adequate slots to open a service to Heathrow.

Mr Cédric Pastour, deputy director of Air Liberté, said his company was taking precautionary action so that "if we do not get satisfaction out of the new negotiations between the French and British governments... Brussels will take up our case".

Over the weekend, the two governments agreed that by the end of June, British Airways and UK Air could start flying into Orly, the main domestic French airport, in return for French carriers getting better access to Heath-

Mr Pastour said there was a particular problem for new airlines at Heathrow. Air Liberté had last November requested four landing and takeoff slots at Heathrow, he complained, only to have half of them refused last week and the other half granted "in an commercially unusable form". such as having to keep an aircraft at the UK airport for 5%

The British Airports Authority, which runs Heathrow airport, said yesterday that all slots were allocated every November by Airports Co-ordination Limited, an independent company. The decision on Air Liberté slots would have been made according to IATA rules, it said, and without prej-

There is intense pressure on slots at Heathrow, with the limited access to the airport having already led to a breakdown in talks between the US and UK on the renegotiation of their bilateral air

agreement. The problem has been greatest for new airlines and airlines seeking access to Heathrow as part of the European Union's "open skies" pol-icy of deregulation, with over a third of Heathrow's slots already allocated to British

Airways. Virgin and American Airlines are just two of a large number of airlines that have complained of delays in launching new services, or continuing limits on their services, due to the lack of availability of Heathrow slots.

ish Air Transport Association, which represents UK airlines complained that all of the 520 daily departure slots available at Heathrow this summer, all were already booked, while 496 of the 517 daily arrival

The association is pushing for an extra runway in the Heathrow and Gatwick catchment area as soon as possible to alleviate the problems of

Meanwhile, only a few flights to Corsica are expected to escape today's strike at Air Inter, the domestic carrier clonging to Air France, held in protest at its imminent exposure to foreign competition, Mr Bernard Bosson, the transport minister, yesterday said the strike was "comprehensible, but not the solu-

Common free trade zone by end of the century is the aim

EU close to Russia-Ukraine deal fresh Bosnia

By David Gardner in Brussels

The European Union is poised to cement a close relationship with Russia and Ukraine at next month's heads of government summit in Corfu which would lead to a common free trade zone by the end of the century.

Following a meeting in Brussels of the Twelve's foreign ministers, all now hinges on a visit to Moscow later this week of France's foreign minister. Mr Alain Juppé, aimed at resolving residual French objections on Russia's exports of enriched uranium.

The EU has already initialled a "partnership" agreement with Ukraine, and yesterday all but overcame French objections to a similar but broader agreement with Moscow, which should be ironed out before Corfu. If achieved, both agreements

are seen by the EU as the foun-dations of a stable relationship with profoundly unstable and powerful eastern neighbours, and the necessary preconditions for the EU's common for-

eign and security policy.
"It's going in the right direction," said a spokesman for Sir Leon Brittan, EU external eco-



nomic affairs commissioner. The hope is that both Mr Boris Yeltsin, the Russian President, and Mr Leonid Kraychuk, his Ukrainian counterpart, will be in Corfu on June 24 to close the deal.

have snagged the negotiations with Russia have now been largely resolved. Moscow has agreed a safeguards regime to prevent sudden export flows of uranium fuel which might undercut French production for its network of nuclear

power plants. The EU and Russia have also arrived at a modus vivendi on treatme foreign banks working within the Russian federation. Paris nevertheless insists on

further guarantees over Rus-sian uranium exports beyond

the planned expiry date of the safeguard regime in 1997. Mr Juppe is looking for a quotas agreement in his Moscow talks this week, but EU diplomats believe France values an overall deal with Moscow too highly to jeopardise it over the fine print.

The Ukraine deal, although it was reached earlier and for that reason alone has convulsed foreign ministries across the European Union, still awaits additional agreements on how to finance the complete shutdown of the Chernobyl nuclear complex.

The EU wishes to develop separate policy towards Kiev, through food aid, macroeconomic support and possibly very expensive aid to build

alternative nuclear reactors.

The potential cost of this, estimated at between Ecu500m (\$580m) and Eculbn, was underlined yesterday by Mr Douglas Hurd, UK foreign secretary, who, like his EU colleagues, wants to share the cost with the US and Japan. "We will have to come back

to this, particularly on Cherno-byl," Mr Hurd said, referring to the summit of the Group of Seven industrial countries in Naples in July.

Forces defy peace efforts

By Laura Silber in Belgrade and Chrystia Freeland

Moslem forces yesterday tried to push forward around Tuzla, the biggest Bosnian government stronghold in the north-east, as an upsurge of fighting defied renewed international efforts to end the war in Bosnia.

Sarajevo radio said the Bosnian army had advanced on Mount Majevica, high ground overlooking Tuzla, one of six UN "safe areas" in Bosnia. The radio also said the centre of Tuzla and the north-west part of the Tuzla airfield came under Serb fire. Serbian radio, quoting military sources, confirmed heavy fighting in the region. The Bosnian army push seen as a move to strengthen the land links between Sara-jevo. Tuzla and Zenica, the three main government strongholds in Bosnia.

Some European observers felt the international community's failure to come out clearly in favour of a specific peace plan has fuelled the renewed

in particular, Mr Warren Christopher. US secretary of state, has been criticised for agreeing on Friday to a deal giving the Moslems and Croats 51 per cent of the territory and then appearing to contradict this position on Sunday by acknowledging the possibility that the Moslem-Croat Federation might win as much as 58 per cent of the land.

The Moslem-Croat offensive may also have been encouraged by the US Senate's vote. last week, urging the US government to lift the Bosnian arms embargo. ..

General Sir John Wilsey, joint commander of British Forces in the former Yugoslavia, told reporters yesterday that "uncertain political messages make things difficult for

in Belgrade, Mr Vitaly Churkin, Russia's special envoy, met Serbian president Slobo dan Milosevic and called for the urgent implementation of a plan, agreed on Friday in Geneva at a meeting of the foreign ministers from Russia, the

US, and the EU. Mr Churkin said Mr Milosevic "very strongly supported" the immediate cessation of hostilities, but was leaving it to the Bosnian Serbs to decide on the other aspects of the plan.

The agreement calls for a four-month ceaselire and for the Bosnian Serbs to keep 49 per cent of the war-torn coun-try with the remaining 51 per cent allotted to the newly created Moslem Croat federation.

Mr Nikola Koljevic, vice-president of the self-styled Serbian state, offered the possibility that the Serbs may consider the settlement, although Bosnian Serbs have previously rejected the deal, demanding 70 per cent of Bosnia.

Speaking to a Serbian news-paper, he said: "The Serb side is ready to change the borders [on the basis of the 51:49 split] inasmuch as this creates a functioning state. As long as this would mean that the international community would consider trading quantity for

Brussels chief draws a line in the sand

Lionel Barber assesses the reasons for yesterday's outburst by Jacques Delors

For most of this year, Mr Jacques Delors has been as quiet as a church mouse. But yesterday he confounded those who hoped he might be ready to leave Brussels quietly after 10 years as head of the European Commission.

Mr Delors' outburst against Mr Günter Rexrodt, the German economics minister and champion of deregulation, signals he is prepared to fight to the last minute over how to strengthen Europe's competitiveness without destroying the European social market

But the Delors-Rexrodt clash is also about power, about how far the Commission should hold sway over European

In the past year the power of Brussels has visibly diminished

industrial and social policies. who has one eye on the coming German general election, believes his campaign for a European deregulation initiative has strong support among German business. He wants to create a group of independent experts to root out Euro-legis lation which could harm employment and growth.

The German initiative, which has enthusiastic British support, drew a withering response from Mr Delors at yesterday's sessions of Euroean foreign and finance ministers. He wondered aloud whether Mr Rexrodt's real goal was to gut the Maastricht treaty's social chapter, or whether he was aware that ministers not the Commission - were responsible for passing oner-

ous legislation in areas such as

Mr Kenneth Clarke, UK

chancellor of the exchequer, retorted that Mr Delors was acting like any good bureaucrat in defending his territory.

But that is not the whole story. In the past year or so, mainly as a result of the debilitating struggle to ratify the Maastricht treaty, the power of the Commission has diminished visibly. So, too, has its role as power-broker and umpire inside the EU, to the point where member states are increasingly challenging its authority.

 Last week, France declared it was not willing to carry out a Commission ruling in favour of opening up Orly airport to competition. The issue was defused at the weekend, but only after bilateral UK-French negotiations in which Brussels played no role.

 Germany declared it was ready to take unilateral action against imports of British beef because of suspected mad cow disease. The threat remains on

 This year, Greece ignored Commission warnings (and the Treaty of Rome) in slapping a trade embargo against the for-• France is leading a bloc of **EII** member states questioning the Commission's "community competence" to negotiate trade

agreements on the part of the Twelve. "Suspicion after the Gatt trade agreement is at an all-time high," says one senior Commission official. Some observers view these challenges as part of a trend of "creeping unilateralism" in which member states are pur-

aggressively at the expense of the common good which the Commission is supposed to define and represent Mr Delors is clearly worried that Germany, the most powerful and populous country in Europe, may be tempted to stir up greater mistrust of the cen-

either under the guise of

the Rexrodt initiative, or

through the concept of "subsid-

suing their national interests

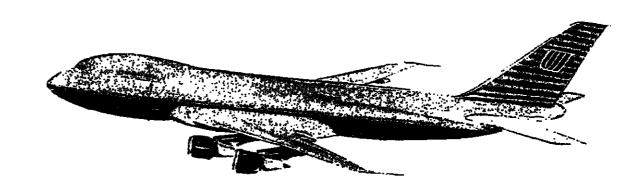
farity", the code-word for devolving decision to the lowest national, regional or munic-Germany takes over the rota-

ting presidency from Greece on July 1. Chancellor Helmut Kohl has already declared his

determination to "free ourselves from the notion that everything that has a European dimension automatically falls under the jurisdiction of Brussels" and make this a presidency priority.

worried about Mr Rexrodt more than Mr Kohl; but Mr Delors' intervention yesterday still looks very much like a pre-emptive strike against the incoming German presidency ahead of the European summi Mr Delors' aides say they are in Corfu next month.





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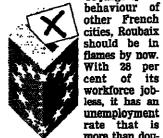
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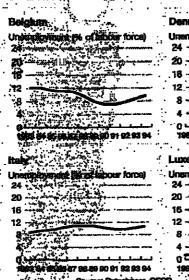
other French cities, Roubaix should be in flames by now. With 28 per cent of its workforce jobless, it has an unemployment rate that is more than dou-EUROPEAN ble that of

ELECTIONS other French and 12 cities and towns which saw violent street protests this spring against a proposed cut in the minimum wage to promote youth

But this traditional northeastern textile town of 90,000 has stayed relatively calm, perhaps because of the attention paid it by the government, whose prime minister and interior and urban affairs ministers have all taken care to visit it in recent months.

There is no question that unemployment is the predominant political issue in Roubaix as much in the current campaign for the European Parliament election next month as in any local or national poll. But the broad Euro-debate on unemployment, pitting the right's argument in favour of flexible pay and labour markets against the left's emphasis on increased training and work-sharing through shorter hours, is re-cast in Roubaix in

far more basic terms. Before launching into debates about more vocational training, Roubaix first needs to tackle "the problem of the more than 20 per cent of its kids who leave school at 16 without being able to read or write," says Mr Jean-Philippe Leclerq, the head of the town's Where Europe isn't working



was heading down towards the cycli-

cal low of 8.3 per cent, reached the

following year. It is now stabilising

at a cyclical high of around 11 per

cent. In actual numbers it was then

But in most large European Union

Unemployment (% of labour force)

Unemployment (% of lebour force)

party has lived with the highest

unemployment of any of the larger

EU countries, and the number is not

in Germany the unemployment total

seems to have peaked at just over 4m,

but that figure disguises the fact that

many people have dropped out of the

labour market and many others are

on temporary make-work schemes.

expected to peak until next year.

Italy has no time to catch breath By Robert Graham in Rosse For Italy's government and opposition parties, the Empean elections come at all fine, ward time. The country is still catching its breath after the

March general elections which produced a landslide victory for Mr Silvio Berksconf, swom in as prime minister last apock at the helm of the righted Freedom Alliance. By June 12, the Berber government will have been less than a month in office assuming it remains in place after this week's parlian vote of confidence. The oppos tion parties, for their part, fear they will have too little time to reassess their performance and

make a fresh impact on the electorate. The election will be more about personalities than issues. It seems likely to result in a general endorsement of Mr Beriusconi, although not neces sarily of his generally sceptical views about the European Union According to latest opinion polls, his Forza Italia movement will obtain 25 per cent or more of the vote almost five percentage points more than in March.

Emiko Ter

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Forza Italia list in all five of the electoral colleges into which Italy is divided for the European elections. This prac tice is being followed by all the main political leaders. Of the 1,331 candidates for the 87 seats, 156 are standing in more than one electoral collegs.
Although his position as

prime minister would rule out his attendance at the Strasbourg assembly, Mr Berlusconi hopes his aura of popularity will lend a general glow to Forza Italia. Only five months old, it cannot yet be considered a fully fledged party, and has not even held a constituent congress. Though better funded than any other party, its organisation is confused.

The main purpose of Forza Italia's 13,000 supporters' clubs' around the country was to get Mr Berlusconi elected prime minister. Their function in the European elections is less

by favourable coverage pro vided by his own Fininves television network, as well as by the increasingly obsequious position taken by the state-run RAI networks. Mr Berlusconi's position

gives rise to a clear risk of conflict of interest. Fininvest's advertising agency recently sent all parliamentary parties a faxed letter offering advertising spots for the European elections on Fininvest's three channels. In addition to the name of the advertising agency, Publitalita, the paper bearing the message was headed by the name Forza Italia – an oversight which caused a chorus of protest.

Forza Italia's gains are likely to be at the expense of the cen-tre – the various fragmented parts of the Christian Demothe run-up to the March elec-

Apart from the score attained by Forza Italia, the most close ly-watched development will be the vote obtained by the populist Northern League of Mr Umberto Bossi. The League emerged from the March polls with the largest number of dep-uties within the Freedom Alle ance, thanks to its alliance

with Forza Italia. Aware that it is comp for votes with Forza Italia in the north, the League has chosen to fight these elections alone, fielding its best known local names, including the mayors of major northern cities. cities like Alessandria and

In contrast to other parties which are often putting up candidates who failed to will seats in the general elections the League is trying to show its belief in grass roots democ racy. If the League fares badly in the European elections, it position within the Berluscon government will be weake This would in turn make the League a more unreliable ally In contrast to the League, h Berluscom's other main part

ner in government, the neofarcist MSI/National Alliance, has benefitted from the mantle of respectability offered by Mr Berlusconi. The MSI may thus improve its share of the vote, perhaps at the expense of

Forza Italia in southern Italy The progressive opposition headed by the Party of the Democratic Left (PDS) will be running essentially unchanged from the general elections. The PDS is in the process of an agonised self-appraisal both of its style and its leadership This is bound to have a nega tive impact on its score

UNEMPLOYMENT UNLIKELY TO HAVE A BIG INFLUENCE ON VOTERS

face a large credibility gap.

offering a quick-fix solution would

The differences between left and

The right has traditionally stressed

right on the issue have become more

not less blurred in the past few years.

labour market de-regulation while

on active labour market policy and

macro-economic stimulus. Increas-

The last time Europeans went to the polls to elect a new European Parliament in 1989 registered unemployment in the region was nearly 5m lower than it is today, writes David Goodhart, Labour Editor.

But given the intractability of the jobless problem, and the universal political commitment to resolving it, countries the electorate has lived with persistently high unemployment unemployment may have surprisingly little impact on voting patterns

the RMI is less than half the Equally, before getting worked up, like the rest of Smic, but by doing some work "on the black", they can do just as well as Smic-earners France, about changes in the so-called Smic minimum wage, with half the effort. (If some-Roubaix has a more fundamen one refuses a job offer, under tal problem. This, says Mr French law they cannot have Leclerq, is that an increasing their welfare payments or famnumber of Roubaisiens simply ily allowances docked, Mr prefer to draw France's basic Leclero complains.) RMI welfare premium, rather With 4,000 on welfare and

than seek a full-time job (on 11,000 people on unemployment dole, Roubaix, relative to

in France," says Mr Leclerq. Jobs exist in the town - 46,000 in all - but most of them go to people from the surrounding area, because Roubaisiens don't have adequate skills or

for nearly two decades and any party ingly, the policy mix transcends

Mr Leclerq points to Roubaix's textile industry, given a new lease of life by having its products sold by the mall order industry, for which Roubaix is

mail order companies want people with computer skills, while the tailoring companies are now largely staffed by people from south-east Asia, like Thailand or Cambodia." Young Roubaisiens "just don't want to re-enter a trade - textiles - from which their parents were made redundant". says Mr Leclerq. "I know, because we have set up two workshops for apprentices and

More troubling to Mr Leclerq is that of the 600 new lowskilled jobs created in the town each year, Roubaisiens fill only about 200. "Even jobs like being a cleaner or a building, parking or garden attendant; require people being able to read instructions and being able to move around the city transport city system if need

en out of office, as in Britain, it has

been easier to make some running on

the issue. But in France, for example,

the Socialist party embraced mone-

tary and fiscal orthodoxy and lived

with persistently high unemploy-

ment. If anything Mr Eduard Balla-

dur, the Gaullist prime minister, has

placed the issue closer to the centre

of national politics than his predeces-

But in coping with its huge unemployment, Roubaix has something older than France's Fifth Republic or the European Union on which to fall back - a rich, almost medieval tradition of private associations whose members look after each other. The town has some 800 associations, which have spread to embrace many in the large community of Maghreb origin; after the 1958 devaluation of the franc discouraged Belgians from coming, Roubaix almost literally sent out the boats to north Africa for people to work tts textile mills

with some leisure activity. often sporting, but frequently then go on to organise postschool education or homework. sessions," says Mr Mohammed Benguessi, deputy director of the Foyer de Jeunes Travail-

The Foyer also tries to place young people in their first job,

guessi who meets a certain amount of anti-Maghreb prejudice from employers. In general, Rouhaisiens ruefully agree with the Delors

White Paper's conclusion that "there is no miracle cure" to unemployment. They appear to expect little possible improvement as a result of the Euroelections, or indeed any other election, pinning more hope on their own local efforts.

But there is also a specifi-cally French reason why Roubaisiens and their co-citizens are apathetic about the Euroelections. It lies in the "national list" system France still uses for Euro-elections, whereby the country is considered as just one big constituency represented by 87 Euro-deputies who get elected according to the relative tally that their party amasses nation-wide. It is a pure system; unlike

regional or single-member con-stituency systems, no votes are geographic identification between a French Euro-MP and his or her electorate. So, Roubaix has no Euro-MP it can call its own or complain to.

All French parties now recognise this as a weakness that has compounded the sense of remoteness of their Euro-MPs from their voters, and one

Soares argues the case for greater powers



minister for between 1976 and 1985, he was successful transition from dicta-

torship to democracy.

Do you believe the European parliament should be given greater powers? Yes. We must work towards the creation of a European constitution and true European citizenship. This will help ensure that the people of Europe become aware that they have the abil-ity to influence their own future as Europeans

Where should the European nomic and social priorities during the next three or four years? The priorities are to advance to economic and monetary union with an effective European Monetary Institute. We should not forget the European social charter. Progress in the economic and political fields must be matched by advances in social affairs.

Is there a danger of a twospeed Europe? This is unacceptable. I see Europe as a broad space for solidarity between people, regions and countries. The existing inequalities, aggravated by an unfavourable economic climate, cannot be used as an pretext for creating a two-speed

Europe. Should the EU give priority to deepening integration among the 12 members or to widening it towards eastern Europe? Both policies are equally necessary. There can-not be true broadening without deepening. The EU should adopt policies aimed at eventually admitting the countries of



Are you worried that German unification and a shift in the EU's centre of gravity to the east and north could harm Portugal's interests? There is an unquestionable possibility of this happening. The EU should take steps to avoid this Will assistance for poorer

EU states inevitably have to be cut after the expiry of the 1993-99 package? It is important, necessary and urgent to supply aid to central and eastern Europe. But this should not be done at the price of reducing aid to southern European countries, which are full members of the European Union. Aid should continue for as long as inequalities between countries justify

Is European monetary union in 1999 still practicable? Europe has lately been gripped by pessimism over the poten-tial of the European project. Some voices describe it as utoplan. I do not share this opinion. Only by pressing forward towards full European union, with realism and resolution.



Japan's rich raise earnings

By William Dawkins in Tokyo

A rise last year in the number of Japan's top income tax payers suggests that the rich may be starting to recover from the ravages of recession.

According to the National Tax Administration Agency, 128,000 people paid more than Y10m (£65,700) in tax in 1993, some 3.000 more than in the previous year, when the total fell for the first time, from 175,000

The figure may not be a completely accurate guide to wealth, given the highly publicised tax evasion cases to have gone through the courts recently, like that of Mr Shin Kanemaru, former political godfather of the Liberal Democratic party. But it does at least indicate that the richest of those who do care to declare their reve-

Japan's top taxpayer is Mr Yasuo Takei,

entrepreneur, who paid Y4.3bn in personal taxes last year. Much of that was in capital gains from selling shares in his company, to build up a core shareholding ahead of a listing, Mr Takei explained yes-terday. Mr Takei, 64, started his career working in pachinko parlours and selling vegetables in the streets, before founding Takefují in 1968.

The top 10 include a selection of self-made business people and their relatives, including a race-horse breeder, a computer game producer and the owner of a video rentals company.

Senior executives of Japan's industrial establishment held relatively modest rankings, such as Mr Shoichiro Toyoda, chairman of Toyota, Japan's largest car maker, who came in a mere 92nd, with a Y330m tax bill.

The annual list is a rare guide to the chairman of the Takefuji consumer identity of Japan's rich, who are otherwise

hard to spot given that only gangsters and the few property tycoons left feel it socially acceptable to flaunt wealth.

A record 102 MPs are to be found among the Y10m-plus taxpayers, topped by Mr Yasu Kano, a member of the opposition LDP, with a Y579m tax bill. Mr Ichiro Ozawa, the government's

backroom power broker, put in a surprise appearance as Japan's seventh most taxed politician, but a long way down the overall national rankings.

He paid Y48.6m in 1993, three times as much as the previous year, much of it on the Y105m royalties on his new book. Blueprint for Building a New Japan,

which sets out Mr Ozawa's argument for reforming the political system and taking a more prominent role in international affairs, has sold 700,000 copies since publication last May. It just goes to show, Mr have high hopes for reform

Tokyo banks tire of Euro-mess

Emiko Terazono explains the resistance to European loans

apanese banks are experiencing a bad case of Euro-phobia. "We're all saying anything which starts with 'Euro' ends up in a mess," says an official of a leading Japanese bank.

Large European projects such as Eurotunnel and Euro Disney have become big disappointments for the Japanese banks, which are alarmed by the continuous refinancing requests. Among the largest creditors in the projects, they now perceive that what they had expected to be one-off financing programmes have turned into commitments to churn out endless amounts of money.

Since the burst of the economic "bubble" of the late 1980s, Japanese banks have been generally cutting their international operations and their exposure to overseas

Capital flows from Japan to the US and Europe have changed sharply. According to Sanwa Research Institute, the research arm of the commercial bank, average annual Japanese investment of the past two years to the US has fallen by 48.6 per cent from 1988 and 1989 levels to \$29.7bn (£20.3bn),

Capital outflows (Sbn)

To US 1988 89 90 91

ros: DKB int & Ministry of Finance while it has dropped 30.5 per cent to \$41.2hn in Europe.

The sluggish domestic economy and the sharp fall in loan growth have led the banks to turn instead to the fast-growing Asian economies. Capital flows to south-east Asia have grown more than 20 per from the late 1980s to \$7.1bn in 1991-92.

The rise in the yen has increased direct investment into Asia by Japanese manufacturers and companies, and banks have increased exposure in the region. Investment in the south-east Asian countries has started to slow during the

past year, while growth in China has drawn investments from Japanese manufacturers and banks. "We don't get a feel of what's really going on in Europe as we do with Hong Kong, China or Singapore, says one banker

The prolonged haggling over Euro Disney's financial restructuring package, and the tensions over the £700m refinancing efforts of Eurobannel which needs new funds because of delays, have stemmed from the banks' un-Japanese show of resistance. Last month they grudgingly

agreed to help Euro Disney reduce its FFr21bn (£2.45bn) debt. But earlier in the year, some of them appeared to have already unloaded their equity holdings because of pessimism over the project. The lack of enthusiasm in

large Euro-projects, say the banks, is partly due to the absence of traditional and emotional ties to the region. Projects like Eurotunnel and Euro Disney are providing services which are not exportable, and have little commercial relevance outside Europe.

"The banks feel that they do not have the level of control they do in Asia, where Japa-

nese companies wield influ-ence," says Mr Mark Faulkner, banking strategist at brokers SG Warburg in Tokyo. The lack of any political or other business benefits have meant decisions over the European projects have become purely commercial.

Japanese banks have gradually started to increase lending to US companies, which are seeking funds as the economy recovers. The large refinancing companies have started to attract Japanese lenders. For example, the banks played a leading role in International Business Machine's \$10bn loan syndicate last November.

While some banking officials claim that they are not deliberately avoiding European deals and would still actively participate in leading European financings, the Euro projects have left a bad aftertaste. Suggestions that central

bankers and the government would use pressure to force the refinancing have left many banks especially angry. "If the European governments think it's such an important project, they should use public funds, says a Japanese banking offi-cial. Hutomo Mandalanutra.

Indonesian Sumatran town lives bank loan trial begins

t first glance, it is hard

A former official of an Indonesian state bank went on to see why the plantatrial yesterday in a massive tion managers, traders loan scandal that has proand factory owners who make voked a public outery and stu-Medan their home keep confiddent demonstrations questioning to visitors that the place is ing the role of senior officials a throwback to the Wild West. "a bit of a cowboy town". in the case. AP reports from

Jakarta. Busy and polluted, with its Mr Maman Suparman, 48, uneasy mix of Dutch colonial former manager of the Jakarta architecture, Chinese shop branch of the state-run Bank houses and new shopping Pembangunan Indonesia, was malls of concrete and glass, the charged with corruption and largest city in the Indonesian abuse of power. The loss to the state from an island of Sumatra looks like a typical product of Asia's indus-

drivers' documents.

What is special about Medan,

according to residents, is the

size and strength of the gangs

running the town's protection

men who control most of

Yet the two largest gangs are

licensed by factions in the

army (the dominant force in

Indonesian politics), and are

implicated in almost every sig-

nificant event that occurs in

Recently, for example, gang-

sters took sides in a violent

dispute between members of

the wealthy Pardede family

over the management of the

Danau Toba, Medan's largest

hotel. People trying to play

tennis on the hotel courts were

startled to see groups of men

fighting in the car park; one of

the Pardedes, a family of indig-

enous Bataks, was stabbed in

the lobby and the hotel was

closed pending resolution of

The gangs are also accused

by ethnic Chinese businessmen

and trade unionists of acting

as agents provocateurs during

the dispute.

initial \$430m (£287m) loan in trial revolution. 1991 to ethnic Chinese busi-There is nothing very nessman Mr Eddy Tansil by unusual about the illegal the bank has swelled to \$448.8m, including unpaid brothels, the fights in bars, or the policemen who stop cars interest, the Central Jakarta outside the town, accept Rp500 Court was told. Newspapers put the amount as high as bribes (about 25 US cents), and wave the cars on without even a pretence of looking at the

Mr Mohammed Yamin, state prosecutor, told the South Jakarta District Court the bank official received bribes of 256m rupiahs (279,000) (rom Mr Tansil for helping to arrange the credit.

He said Mr Suparman illecontact with the gangs because gally converted a letter of their main targets for extortion credit submitted by Mr Tansil. are the ethnic Chinese busi-Prosecutors have said the aim was to permit Mr Tansil to use the loan money without in fact the town's commerce and industry. buying machinery for which it was intended. If convicted, Mr believed to have hundreds of members, are unofficially

Suparman would face between 20 years and life in prison. Mr Tansil, 40, went on trial separately last week. He is charged, among other things, with diverting part of the loan for his personal use.

On Saturday, Mr Gani Djemat, who leads Mr Tansil's four-lawyer defence team, told the court that the charges should be dismissed and that the case should be treated under civil law, not criminal law. Mr Diemat acknowledged. however, that his client faces difficulties in repaying the

Thousands of students demonstrated in several large cities last month, demanding resignation of two senior officials over the loan case. Some called for interrogation of President Suharto's son. Mr

in thrall to gangsters Victor Mallet on military-licensed rackets MALAYSIA

SINGAPORE

..Jakarta

AVAL

INDONESIA the April workers' demonstrations in support of higher pay. The demonstrations degenerated into anti-Chinese rloting: one Chinese factory owner was

Mr Muchtar Pakpahan, leader of the Indonesian Welfare Labour Union, says he has evidence the gang members were paid to cause trouble in Medan to discredit the independent trade union movement. Mr Paknahan, who is from Medan, calls the gang members "gangsters like the Mafia in Sicily"

The bread-and-butter business of the gangs is protection - threatening violence against a business or a person and tak-ing money in exchange for not carrying out the threat. "They make their money really by hassling downtown merchants," says one foreign resi-

t is alleged that officials tolerate, even encourage, the practice, which is seen as a form of informal taxation by the locals of the rich ethnic Chinese minority. "It's a way of getting money off the Chinese," says one Indonesian. "It's easier to pay a gang than the military."

The two largest gangs operating in Medan are Ikatan Pemuda Karya (Association of Working Youth) and Pemuda Pancasila (Pancasila Youth) -Pancasila is the official state philosophy of humanism, nationalism and belief in God. "Pemuda Pancasila is a

nationwide organisation," says one Medan resident, "but in northern Sumatra it has long had a history of doing dirty work for the military in return for being given a free hand in illegal activities such as gam-

bling and prostitution." The IPK was established in the 1980s as a counterweight to the PP, which the authorities feared was becoming too powerful, and now the IPK is said to have the upper hand.

One of the curious features of gang leaders is that many of the locals in Sumatra believe they have magical powers. Both Mr Olo Pangabean, the Batak who heads the IPK, and Mr Azwanni Wan, a senior Acehnese figure in the PP, are regarded as magicians; rumour has it that, when Mr Azwanni Wan was beaten in captivity by a soldier, the soldier went home to find his wife inflicted with identical injuries.

Life can be good for gangsters, even those who spent only a couple of years at school. "A gang leader can live like a businessman," says one of Mr Azwanni Wan's associates, pointing to his friend's imposing, 14-room house, "He runs protection for more than 20 theatres and shopping cen-

Inside the house there are pictures of Mr Azwanni Wan meeting the mayor and wearing a white sult and white shoes, but the man bimself is not there. Found guilty of supporting the banned Aceh separatist movement - an accusation doubtless endorsed by rival gangs - he is serving a 13-year jail sentence.

His wife, Ms Rosmaini Rangkuti, a singer, makes some money in the meantime by letting out the upper rooms of the nouse. She says her husband lives in style in prison and could be free in four years to take full control of his busi-

Since being in prison, the 45year-old Mr Azwanni Wan has started saying his Moslem prayers again after a hiatus of two decades, but his associates say he still regards four things in life as particularly important: money, friends, magic and - last but not least - powerful connections.



Research and develop

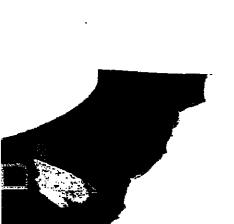
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CREATING THE RIGHT CHEMISTRY





Syria yesterday welcomed intensified" US efforts to broker progress in peace talks Christopher, US secretary of state, delayed his departure from Damascus for two unscheduled rounds of talks with the Syrian leadership, before carrying the results of his discussions to Israel.

Praise for Mr Christopher's "keen efforts" to bridge the gap between the two sides, carried on the state-run Syria radio, was virtually the sole official comment on the progress of his two days of talks in Damascus. US officials would say only that Mr Christopher was "inching" the talks forward.

However, the secrecy, combined with Mr Christopher's evident willingness to tailor the present mini-shuttle, his second in two weeks, to the course of discussions, suggests the secretary of state is exchanging detailed and spe-cific proposals between the two forces from the Golan Heights.

sides, and is determined to achieve tangible progress.

The two unexpected rounds of talks with Mr Farouk al-Sharaa. Syria's foreign minister, were punctuated by trips by Mr Christopher to the US embassy in Damascus, where he is understood to have called Washington. Yesterday's talks followed a four-hour discussion on Sunday night with Mr Hafez al-Assad, the Syrian president. Mr Christopher is under-

stood to have presented a series of proposals to Mr al-Sharaa and obtained a response before flying on to israel. He went straight into talks with the Israeli leadership last night and US officials said he had left open the possibility of returning to Damascus tomorrow after today's short, symbolic trip to Jericho.

Though no details of the talks have emerged, Tishreen, the state newspaper, yesterday again indicated an apparent Syrian softening on its previous demand for an "immedi-

In a front-page comment it said Israel must offer a "full withdrawal" from the Heights according to a "speedy timetable". Israel is understood to have offered a three-stage withdrawal over eight years - a timetable Syria has rejected in exchange for Syrian pledges to establish "full peace".

Al-Hayat, the London-based newspaper, meanwhile quoted anonymous Syrian officials as saying Mr Assad had presented a five-point schedule for progress on the peace talks. This is reported to have begun with Israel annulling its parliamentary resolution annexing the Golan, and offered as a final phase Syrian undertakings to normalise political and eco-

nomic relations with Israel. The newspaper said Mr Christopher was also aiming during his present tour to win ment from both sides to establish a joint Israeli-Syrian military committee to decide mutually acceptable security measures on the Golan and post-withdrawal

Just hours after Israelis evacuate notorious jail . . .

Gaza prison inmates relive horror of torture

By Julian Ozanne in Gaza City

Palestinian inmates of the notorious Gaza prison, forced by Israeli soldiers to wear dirty canvas hoods over their heads. knew the geography of the jail by names which captured their torment: "The Slaughter-house", "The Refrigerator". and "The Bus".

Yesterday, hours after Israel quietly evacuated the prison in the middle of the night, several emotional ex-political prisoners swept through the corridors, spitting on freshly painted walls, banging doors, cursing Jews and reliving the painful experiences of their confine-

One row of murky, tiny cells were known by detainees as "The twenties" after their numbers. Here, in claustrophohandcuffed prisoners awaiting interrogation had to sleep with their backs on the floor and their legs resting on the walls

for several days. There were no windows and you never knew what time of the day it was. Even the smell was a horrible form of torture," said Mr Taher Shriteh, a Gaza-based journalist who

Because of a computer

transmission error the World

Bank was incorrectly given as

the source of a report on a pro-

posed Kazakh oil pipeline

quoted in an FT article about

delays to the Tengiz oil project published on May 13. The

source was actually a report by

Correction

pipeline

Oxford Analytica.

Kazakh oil

for having a fax machine in his house which belonged to a leader of the extremist Hamas Islamic Resistance Movement. Upstairs Mr Shriteh showed

journalists "the bus", where blindfolded prisoners were seated in long rows on small children's chairs for days waiting to be interrogated by Israeli Shin Bet intelligence agents. "You could hear people screaming and crying as they were beaten behind these walls in the slaughterhouse and everybody was very scared." At another set of windowless

rooms with just a small round ventilation hole in the roof, Mr Shriteh said Israeli officers would inject freezing air during the chilly winter. Before slipping out of the

prison at 3am yesterday Israel whitewashed the building and broke down walls between cells to conceal the cramped living conditions. The prison was part of a larger complex of buildings which included Israel's mili-

tary headquarters and functioned as a perve centre of more than a quarter century of Before the 1967 Arab-Israeli

as an Egyptian prison and headquarters, and was known as "The Palace". One room still had the rusty chains and trapdoor apparatus of an execution

Exhausted Palestinian soldiers from the Egyptian-based Ain Jalut brigades bedded down in rooms which just 24 hours ago had housed young Israeli soldiers.

Hundreds of Gaza residents thronged outside the prison and pressed up against the gates to ask whether their relatives were among newly arrived Palestinian policemen. Palestinian security officers had difficulty holding back the youths as tempers flared.

questioned by plain-clothes security staff threatened that a war would erunt the policemen did not respect the "shabab" - the youths who sustained the seven-year intifada or uprising.

Israel said yesterday it would complete its withdrawal of the Gaza Strip in time for an official hand-over ceremony today. less than two weeks after signing the Palestinian self-rule accord in Cairo.

Pakistan decides to switch to a two-day weekend

Pakistan said yesterday it would switch to a two-day weekend on Friday and Saturday from next month, reversing the practice of observing a one-day break on Friday only, Farhan Bokhari reports from Islamabad.

Mr Khalid Kharal, the information minister, told a press conference that the change would save up to \$100m (£66m) a year in power, fuel and transport costs. The government also said it would introduce daylight saving time to be able to increase work hours during the winter. The change comes as Pakistan is struggling with one of its most difficult power shortages this year.

Regional divide marks Malawi poll

Lack of policy differences has changed the contest, writes Nick Young

early half Malawi's children are stunted by malnutrition, according to the government's own figures. Seven out of ten women cannot read. Nearly half a million families live on farms of less than an acre (less than 0.5ha) and earn less than

\$50 a year in cash and kind. This is the grim reality of the "least developed" tag conferred by the UN on a country that ranks among the 15 poorest in the world.

It is a reality that has received little attention on the hustings during Malawi's first multi-party election campaign, because the contenders barely differ on what to do about it.

Yesterday Malawi's parliament approved an interim constitution on the eve of today's parliamentary and presential elections that many analysts believe will bring an end to 30 years of domination by the ailing President Kamuzu Hastings Banda, believed to be in his mid-90s, and his Malawi Congress party.

The interim constitution curtails the sweeping and absolute powers enjoyed by President Banda and was worked out by an all-party panel earlier this year after opposition parties, banned since 1966 in a crackdown on dissent, were legal-

President Banda's grip on power was evident when the MCP chose him as its presidential candidate, despite his infir-mity. But public impatience with his dictatorial ways have showed up in the final days of the campaign, when his rallies have drawn smaller numbers of supporters than those of the

A small, land-locked country with negligible industry and an overwhelmingly rural population, Malawi has relied since independence in 1964 on rainfed subsistence agriculture and cash-crops: tobacco, tea and sugar This will not change in the short term, although diversification into low-volume, high-value crops is being

In 1990, Mr Banda's government adopted a "growth through poverty reduction" strategy of allowing smallhold-





(per '000 live births) 143.0

(% of children under 5)



Polling on Tuesday for election of ps for expanded 177-east perferrent Malani Congress Party (MCP) ied by President Hestings Banda United Democratic Front (UDF)

ed by trade unionist Chakufusz Chipane

Making Democratic Party (MDP)

The leaders of the four main part

to be swom in on May 27



export market for Burley tobacco, previously dominated by large estates. Gradually the economy has been liberalised thought the reduction of import barriers, divestment and privatisation of para-statals and the lifting of foreign exchange controls.

All of this, the government believes, will enhance efficiency, boost exports and attract foreign capital. The opposition agrees.

Two years ago, when trade unionist Chakufwa Chihana, leader of the opposition Alliance for Democracy (Aford), was imprisoned for his advocacy of political pluralism and donors imposed an aid embargo to press for "good governance", political change seemed inevitable and Mr Chihana the likeliest man to take

the helm. , Now President Banda's MCP has accepted change, albeit grudgingly, and is struggling to graft a new, democratic identity on to its "Four Cornerstones" of Unity, Obedience, Discipline and Loyalty.

One consequence is that Mr Chihana has lost the political initiative and probably, with it, his chances of the presidency. For lack of policy differences has, for many voters, turned the election into a contest between the regions.

Aford is associated with the north, the MCP with the centre, and Mr Bakili Muluzi's United Democratic Front with the south. If people vote along regional lines, Mr Muhuzi will win, because the south is the most populous. Ethnically complex regional

distinctions were embedded in the early colonial period when British missionaries developed the best schooling in the north, and consolidated the south's commercial orientation, which itself stemmed from early Arab

Censuses in the Banda era did not acknowledge tribal differences, merely dividing the population into Africans, Asians and a diminishing number of Europeans. Yet the reflecting the extent to which north-south divide has remained marked with persistent jockeying for regional

When President Banda was invited back to Malawi in 1958 to lead the independence movement, after many years in the US. Britain, and Ghana, he, as a native of the centre, was the compromise candidate between better-known contenders from north and south. Since then he has favoured and developed the centre, building a new capital city there and making its language, Chichewa, an official national language along-

side English. Mr Chihana could probably have transcended the regional divide by endorsing the wage demands of striking private and public sector workers who brought the country to a standstill last September.

But his "trade unionist" label is deceptive. If he was ever drawn to "African socialism", Mr Chihana is no longer. He not only embraces the market but is committed to an austerity period to check the inflationary pressures of devaluation, Aford's political retary and chief ideologue, Mr Mapopa Chipeta, identifies the future goal as "developing a dynamic, indigenous, capital-

Such talk echoes the first

economic power in Malawi has remained in the hands of President Banda and the family of his consort, "Mama" Cecilia Kadzamira, through their ownership of the enormous Press Group of companies, long managed by British and South Afri-

can expatriates. That capitalism needs popularising and Africanising is also exactly what Mr Muluzi and other UDF leaders believe. Moreover, several of them, as medium-scale entrepreneurs frustrated by Mr Banda's grip on the economy, can convinc ingly claim to be prototypes of the new capitalist class.

It is this class which will most clearly benefit from economic liberalisation in Malawi. Mr Muluzi, as representative of it and of the south, seems most likely to take the presidency, particularly if memories of repression obliterate the MCP vote in the centre, and despite his own long association with the MCP in the past.

But any new government will face two big problems. With regional divisions exposed by the campaign after a long period when unity was enforced through repression, it will not be easy to maintain national cohesion. Nor will it be easy to explain to impoverished Malawians that democracy alone is no guarantor of

African strikes pose challenge to ANC

Although the newly elected South African government has been hoping to focus its attention on development issues, its first real test seems likely to be in the thorny labour relations arena. Strikes have broken out among provincial government employees and yes-terday ambulance workers in Pretoria

walked out to protest against planned privatisation of the city's emergency More serious are labour relations in

the country's huge mining industry. A strike at Kloof gold mine was resolved only yesterday after the loss of six days of normal underground production. While the problem appears to have been solved for the moment, many analysts feel this is a sign of things to come as unions hope to take advantage of a sympathetic government to wring con-cessions from the mines. "The workers think it's pay-back time," observes one mining analyst.
All this will pose a serious problem

for the ruling African National Congress, which remains in formal alliance with the Congress of South African Trade Unions, the country's largest union federation. Many unions, because of their position at the forefront of the liberation struggle, feel that the new government owes them a debt which is now falling due.

The 280,000-strong National Union of Mineworkers, which has been asserting itself in a wide range of limited actions over the past few months, has signalle its intention to push harder on traditionally intransigent companies now that a black government is running the

Right at the top of the NUM's hit list is Kloof's parent company, Gold Fields of South Africa, one of the country's biggest mining conglomerates. Gold Fields, which has large interest in gold, platinum, copper and zinc, has

a history of poor labour relations, and the union is determined to step up pressure on the company. According to Mr Jerry Majatladi, the

BARCELONA

NUM spokesman, the primary issue is GFSA's general approach to unions, particularly the right to organise, although Gold Fleids claims the problem stems from misconceptions rather real grievances.

The NUM plans a big march on GFSA's head office in Johannesburg over the weekend and will consider further strike action to pursue its goals. If the campaign succeeds, the union intends to target other recalcitrant mining houses, notably Johannesburg Consolidated Industries, the parent of the Western Areas mine where several workers have been killed in political

clashes over the past week. According to Mr Gavin Brown, an industrial relations consultant, further strikes in the rest of the private sector are now increasingly likely, given that many companies delayed wage negotiations until after the election. He also predicts more unrest among civil servants, particularly in the health and education areas.

Despite their longstanding links, ten-

sions between Cosatu and the ANC began to surface shortly before the election, when the federation resisted ANC calls for a moratorium on strikes. They are likely to widen further when Cosatu launches its public sector union later this month, expected to draw in some 150,000 civil servants.

Meanwhile, the demands of office are already forcing many former union leaders to try to rein in workers' demands.

The former Cosatu general secretary, Mr Jay Naidoo, who, as minister with out portfolio in the new cabinet, is almost certain to be given responsibility for implementing the ANC's planned reconstruction and development programme, has already publicly committed the ANC to squeezing productivity gains out of the civil service to help fund developmen

Other ANC leaders have also urged restraint in wage demands to help keep down inflation, but, so far at least. Cosatu seems unlikely to heed the

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B-17

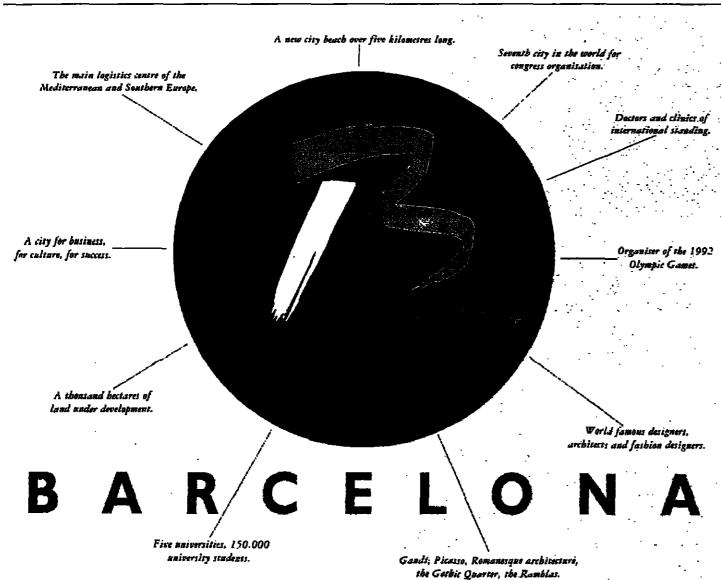
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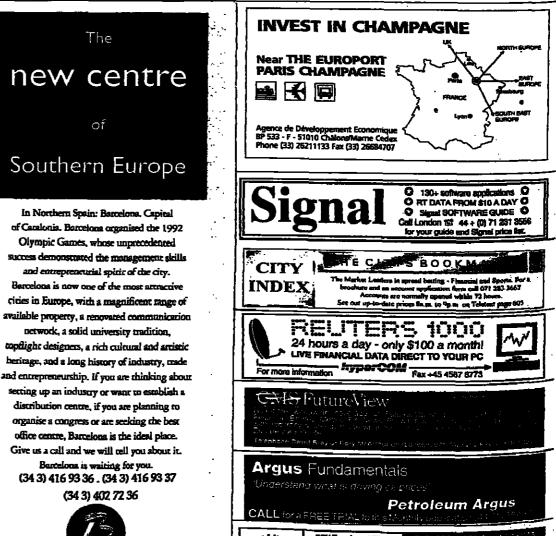
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supply talks with China

its booming economy, which

grew in 1993 by more than 13

A western oil industry repre

emand for crude.

the previous year.

of output.

Mr Li Lanqing.

to match the production of

1993, but is doing so with great

difficulty because most of its

oilfields are mature, including

the Daqing field, which

accounts for about 40 per cent

Beijing's need to develop

closer trading relations with

Gulf states was underlined by

the visit to the region last June

by the Chinese vice-premier,

He signed supply agreements with Saudi Arabia and Oman. This was the first time the Chi-

nese had dealt directly with

Gulf states for oil purchases,

rather than via intermediaries.

Beijing, Mr Nazer will also dis-

cuss details of a new oil refi-

nery project involving Aramco,

the Saudi state oil company,

South Korea's Ssangyong, Sin-

ochem, and the municipal gov-

ernment of Qingdao in Shan-

dong province, south-east of

While on his current visit to

per cent.

By Tony Walker in Beijing

China and Saudi Arabia are this week consolidating a closer oil trading relationship, as Beijing seeks long-term suppliers to help it overcome a shortfall in its own production. China last year became a net importer of crude.

Mr Hisham Nazer, the Saudi oil minister now on his first visit to Beijing, will be seeking more extensive co-operation with China in the oil sector. including possible new contracts for shipments of Saudi

The minister's low-key mis-



Nazer: Discussing refinery

sion also coincides with reports of Saudi involvement in a \$1.5bn (£1bn) oil refinery, with Chinese and South Kor-

The Saudi embassy in Beijing said that Mr Nazer would meet officials from the China National Petrolem Corporation, the China National Chemicals Import and Export Corporation (Sinochem), and the Ministry of Foreign Trade and Economic Co-operation.

China has been looking to the Middle East to satisfy increasing demand for crude and derivatives in order to fuel

Saudis in oil | Telecoms groups eye India

Liberalisation plans leave some tangled lines, writes Stefan Wagstyl

r Nagarajan Vittal, chairman of the Indian government's Telecommunications Commission, reads a letter handed to him by a secretary. It is an appeal from a VIP for two telephone lines. "Tell him he can have one. He can't have two," says Mr Vittal, handing back the letter and moving on to the

sentative described China's It is a measure of the shortrelationship with the Middle age of telephone lines in India East, and especially with Saudi that the telecommunications Arabia, as "absolutely crucial" department's top civil servant spends time allocating individ-ual connections. "I have to play God here," says Mr Vittal, because of China's growing At a recent oil industry conin big things and in small." ference in Beijing. Mr Han Gensheng, vice-president of If Mr Vittal, a strong advo-

Sinochem, forecast that cate of pro-market reform, has imports would reach 50-60m his way, in a few years the tonnes by 2000 to meet projtelecommunications commission's chairman will not have ected demand. Imports would ceed exports this year by a to help VIPs secure priority small margin. China, the world's fifth larglines. Last week the government approved a new telecomest oil producer, registered outmunications policy, designed put of 143.7m tonnes last year, to provide telephones on an increase of 2.5 per cent over demand by means of a huge expansion of the telephone net-China is expected this year work.

Since the government cannot fund this transformation, it is ending the state monopoly of hasic telephone services and inviting private companies. including foreign groups, to invest. Potential investors have welcomed the news but have said that much will depend on how changes are implemented. If bureaucrats drag their feet, as they have in the past, then Mr Vittal and his successors could still be dispensing VIP connections

well into the next century. With only eight lines per thousand people, India has one of the least developed telephone networks in the world; China has 17 per 1,000 people Malaysia has 130 and the global average is 100 lines. The country needs telephones, not only to fulfil its aim of increasing international trade and investment but also to provide a basic domestic communications network.

The official China Business Until last week, the govern-Weekly reported at the weekment's aim was to increase the end that Aramco would take a number of lines from 5.8m in 45 per cent share in the 200,000 early 1992 to 13.3m by the end barrels-a-day refinery, to be of the current five-year plan in located near Qingdao, and March 1997. But this would have left about 2.5m people Ssangyong 15 per cent, with the remaining 40 per cent still on the waiting list, so the shared between Sinochem and target has been raised to 10m the Qingdao municipality.

The government is relying on private companies to raise much of the extra Rs230bn (£4.8bn) it needs on top of Rs330bn ear-marked from public funds for 1992-97. Even before last week's announcement, private groups, including foreign companies, submit-

services such as cellular telephones and voice mail were liberalised, the department has been entrusted with handling potential competitors from the private sector.

The result has been confusion and delay. Cellular telephones contract awards made

'I have to play God here, in big things and in small,' said Mr Nagarajan Vittal, telling a VIP he can have only one of the two telephone lines he had been asking for

ted 21 plans for telephone networks together worth \$4bn. Among the foreign companies are industry leaders such as US West, AT&T, and Motorola of the US, Siemens of Germany, and Japan's Fujitsu. Ms Boll Medappa, director of inter-national projects at US West, which plans to invest up to \$1bn in basic services, says: "The new policy will stimulate the rapid expansion of communications networks."

But it will be difficult to meet the government's demanding timetable, given the department's past record in accommodating the private sector. With 46 trade unions, representing 470,000 workers, the telecommunications department has long been suspicious of changes which curb

Since 1992, when value-added

Indian telecommunications market

in October 1992 have been challenged by unsuccessful bidders in a case now before the

Supreme Court. As Mr Amit Sharma, Motorola's executive director for south Asia, says: "Much depends on the speed and transparency with which the [new] policy is executed. Hopefully, the problems and delays that have occurred in licensing of value-added services wil not be repeated now."

The prospects are not good. The department's trade unions lobbied against the early entry of private companies and found an ally in Mr Sukh Ram, ter, who argued with Mr Vittal over the admission of private companies

The result is a compromise: while private companies are being admitted, the depart-

ment will be responsible for overseeing their entry, acting as both a competitor in providing services and as a regulator. The unions successfully resisted plans for splitting the

corporation and a separate regnlatory body. Mr Vittal yesterday disclosed plans to divide the department into service and regulatory divisions, and, as head of the department, he alone would have authority in both areas. Mr Vittal said detailed guidelines would be laid down soon

for the operation of private

department into a state-owned

These will include a requirement that companies operate in both urban and rural areas and that tariffs and arrangements for sharing revenue with the telecommunications department be approved by the government. Mr Vittal said he expected the first private oper-

Proposals involving foreign capital will still be required to win separate approval from the government's Foreign Investments Promotion Board, which oversees foreign investment. The permissible level of foreign participation is to be decided case-by-case" but Mr Vittal said he hoped investments of up to 100 per cent should be

permitted. Even if no new conditions emerge, there are more than enough hurdles for private companies to clear. Until last week it was not certain that they would be permitted to enter the race at all: now at least they are under starter's

Mexican plant for Johnson Matthey

Chemicals group Johnson Matthey is to build a car exhaust catalyst plant in Mexico with a capacity of 1m units a year, writes John Griffiths.

The facility, costing £5m (\$7.5m) and to be located 140 miles north-west of Mexico City, near Querétaro, is due to go on stream at the end of this year, supplying Mexico's rapidly-expanding motor industry.

The catalysts, comprising a thin coating of precious metals on a cylindrical substrate, are the active component of the catalytic converter systems being made mandatory by the Mexican government as part of efforts to reduce severe city air pollution. Johnson Matthey, which claims to be the world's largest cans-lyst producer, with over a third of the world market, is also planning to build a similar plant in Malaysia, in a joint venture

John Brown in Holland wins German chemical deal

with HICOM Berhad, a government investment agency.

John Brown, part of Trafalgar House of the UK, said its Daira office had won an important contract to rehabilitate the caprolac tam complex at the Leuna chemical works in eastern Germany, writes Andrew Baxter.

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Terms were not disclosed for the contract, awarded by Domo Group, the big Belgian carpet and textile manufacturer. Caprolactam is the raw material for nylon fibres.

The contract is one of the largest and most complex undertaken by John Brown Zoetermeer, which will handle engineering, procurement and construction, and will work with Ingenieurbetrieb Anlagenbau Leipzig, the German engineering company. John Brown Zoetermeer has also won the job of managing contractor for a Fl 100m (\$53m) project to replace the propylene

splitter at Shell Nederland Chemie's solvent plant at Pernis in the

Merck agrees Chinese pharmaceutical venture

Merck said it had signed an agreement with Hangzhou East China Pharmaceutical to form a joint venture for manufacturing and marketing certain Merck pharmaceutical products in China. This is to be Merck's first joint venture in China, Reuter reports from New Jersey. The venture, which must be approved by the local authorities in China, will produce tabulated forms of certain Merck products, as approved for the Chinese market. Part of the sales and marketing group of MSD China, a Merck subsidiary, will become part of the joint venture.

The venture will be at Hangzhou, Zhejiang Province, in facili-ties near the East China site, which have been contributed by East China to the joint venture.

Foster Wheeler wins China power contract

Foster Wheeler Energy Corp said it has been awarded a contract worth about \$185m (£123m) to supply two 300-MW anthracite coal-fired steam generators for the Ezhou power project in Hubei Province, China, Reuter reports from Clinton, New Jersey. Foster Wheeler Energy said the contract marks its third big



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developed economies have become emerging markets. Debt reschedulings are being replaced by debt underwritings. Equity is not about fairness in allocating multilateral funds, it's about ADRs listed in the American public markets.

Against this backdrop, International Media Partners, publishers of Emerging Markets and parent company of the CEO Institutes, and ING Bank, the leading financial institution in emerging markets worldwide, have joined to establish two important new awards.

The Emerging Markets CEO of the Year Award will be given to two business leaders. The first will be the chief executive of a corporation headquartered in one of the world's emerging economies whose vision and company's perfor-



mance have best shown the pattern that can be offered as a model to other emerging markets companies around the world. The second to a chief executive of a company headquartered in the developed world whose expansion into emerging markets has shown

best how these markets can contribute significantly to corporate revenues and profitability. There are no industry or size criteria, though it is expected that the recipient of the award will be in charge of major business. The awards will be presented at a special Awards Dinner during the IMF/World Bank meeting in Madrid in October 1994.

An independent Selection Committee, comprised of corporate leaders, institutional investors, government officials and multilateral executives, among others, has been established to evaluate recommendations for the awards.

Nominations should be received by July 1, 1994. If you believe you have a candidate, please forward details to: Richard Burns, President, International Media Partners, The Cable Building, 611 Broadway, Suite 300, New York, New York, 10012. Telephone: 212 995 9595. Facsimile: 212 598 0788.

INTERNATIONAL ECONOMIC INDICATORS: NATIONAL ACCOUNTS Figures for GDP/GNP are in billions of European currency units (Equ). The first breekdown is in current prices and the second shows growth rates in the constant price series. **E UNITED STATES** 17.7 16.8 16.5 16.2 15.8 14.6 12.9 13.2 14.0 1st qtr.1993 2nd qtr.1993 3rd qtr.1993 4th qtr.1993 M UNITED KINGDOM 906.6 573.7 600.8 709.6 766.9 770.8 819.9 810.2 807.1 561.8 615.7 658.4 710.5 790.8 881.1 931.6 947.0 1st qtr.1993 2nd qtr.1993 3rd qtr.1993 4th qtr.1993 63.0 2.3 1.7 2.8 3.4 0.5 2.1 2.6 3.0 0.5

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Military in Chile adamant on general

By David Pilling in Santiago

Chile's democratic government faces renewed embarrassment at the hands of the military today if, as expected, General Rodolfo Stange resumes his post as chief of police in spite of government insistence that he step down.

Gen Stange, who is being investigated for the alleged cover-up of police involvement in three killings, said he would defy government requests to extend his leave indefinitely.

Under the 1980 constitution banded down by the military regime of General Augusto Pinochet, Chile's president cannot dismiss commandersin-chief of the armed forces, of whom Gen Stange is one. Government spokesmen have resorted to oblique reference to the "inconvenience" of the situation or to the general's

At one point, public bickering was reduced to a discussion of the legality of an indefinite vacation".

Behind such semantics lies the conflict between the residual power of the military, which ruled for 17 years, and that of a four-year-old democracy, gradually growing in confidence and intent on regaining its traditional con-stitutional powers.

President Eduardo Frei, who took over in March, has pledged to democratise the 1980 constitution. Some commentators argue that Mr Frei may have deliberately pro-Stange in order to galvanise public opinion in favour of constitutional amend

US trials for French abortion pill

The controversial French abortion pill RU 486 will be made available for US clinical trials in the autumn through an unusual arrangement donating all US patent rights to a non-profit population group, Reuter reports from Washing-

Roussel-Uclaf of France, a subsidiary of Germany's echst, has agreed to donate all US patent rights to the drug to the Population Council. a New York-based international non-profit group. The Population Council is seeking a manufacturer for the

Abortion rights activists hailed the agreement as a tremendous victory, but antiabortion groups were angered. The American Life League called RU 486 a "human

Senate flexes its muscles over foreign policy

By Jurek Martin in Washington

President Bill Clinton's conduct of foreign policy has been heavily criticised in academic and establishment circles, but increasingly the US Senate seems ready to act where most others merely write in com-

Yesterday Senator John Kerry, the Democrat from Massachusetts, took to the opinion pages of the New York Times to demand that the US oust the military junta in Haiti by force - preferably in conjunction with others but still by invasion. Over the weekend, Senator George Mitchell, the majority leader, and Senator Bob Dole, his Republican counterpart, called for economic

sanctions against North Korea for refusing to subject its nuclear facilities to full inspection by the International Atomic Energy Agency.

His blunt comments need to be set against his known willingness to help the administration find a way out of its dilemma, but Mr Dole

With the problems in Bosnia and North Korea, it appears frustration is growing across party lines within the US Senate

Mr Mitchell also said he was in favour of imposing trade penalties on China unless visible improvement in its human rights record was evident in the two weeks remaining before Mr Clinton determines whether to extend most favoured nation trading status.

dent to the maximum extent by urging him to renew MFN and admit he had made a mistake last year in linking it to human rights.

Last week, in somewhat contradic tory votes, the Senate twice urged

Bosnia. Mr Dole's motion urged that the US do so unilaterally while Mr Mitchell's called for the maximum effort to persuade US allies to go

Though neither yet has the force of law, both constituted advances on an earlier non-binding "sense of the Senate" resolution.

Senator Kerry is not the first member of Congress to call for the use of force in Haiti, though he may be the most influential to have done so. It is considered axiomatic that the administration would not launch an invasion without some form of

prior consent by Congress. However, the Republican party is generally opposed, in spite of the fact that Presidents Reagan and Bush both conducted military ventures in the region, in Grenada and Panama respectively.

With Bosnia and North Korea, however, senatorial frustration appears to be growing across party

Many of those who supported Mr Mitchell's compromise amendment last week may be persuaded to switch sides on the arms embargo if hostilities persist and no progress is made in negotiations.

Lifting the arms embargo is, as Senator Claiborne Pell, chairman of the foreign relations committee, put "the easy cost-free solution". One of Mr Dole's central arguments for a unilateral lifting was that no US lives would be put at risk.

on pushing healthcare reform through Congress, is sensitive to the dangers of additional political controversy. One reason why Mr Clinton selected the relatively uncontroversial Judge Stephen Breyer for the Supreme Court seems to have been his nervousness about yet another bruising public battle in the

But this caution has already invited criticism that the president is unwilling to take a stand on too many matters. This sense could well encourage the Senate to take matters further into its own hands, as it last did in prohibiting the Reagan administration from funding the Nicaraguan contras in 1980s.



Tom Corey (in wheelchair), secretary for Vietnam Veterans of America, arrives in Vietnam with a delegation of war veterans yesterday. They are due to hand over documents on up to 1,800 Vietnamese troops whose fates are unknown to their families, hoping Vietnamese veterans will provide information on missing Americans &

Caldera pressed to alter course

The administration Venezuela's President Rafael Caldera faces growing pressure to change its economic policies after a steep devalua-tion, predictions that inflation will surge to 60 per cent or more this year and violent student protests.

The Caldera government began a five-year term in February rejecting the free-mar-ket policies of the previous administration, and offering a competitive economy with social justice". Thus far, it has produced measures that attempt to find a middle ground between market economics and government con-trol of the economy, placing

greater stress on the latter. The two leading opposition parties, Democratic Action and the Christian Democrat party (Copei), have accused

in economic policy, allowing cabinet members to contradict one another in public and advancing a populist strategy.

They have sought a return to
market-oriented policies.

Economic and political uncertainty over the last three weeks has sent the bolivar down 12.5 per cent against the dollar at the official exchange rate and by over 22 per cent on the parallel market.

This has caused economists to raise their inflation projections for this year. One prominent Venezuelan economist, Mr Pedro Palma, predicted that inflation could reach 60 per cent or more in 1994, up from 46 per cent last year. The administration has also

faced violent protests in Caracas and other cities after police shot and killed a highschool student during a pro-

Poll choice may split Brazil party

By Angus Foster in São Paulo

Mr Orestes Quércia, one of Brazil's most controversial politicians, will run as presidential candidate of the country's largest party, the Brazilian Democratic Movement (PMDB), following his victory in a party vote at the weekend. Mr Quércia was earlier this month indicted on fraud charges relating to São Paulo state government purchasing policies while he was governor. His candidature has divided the PMDB and threatens the stability of President Itamar

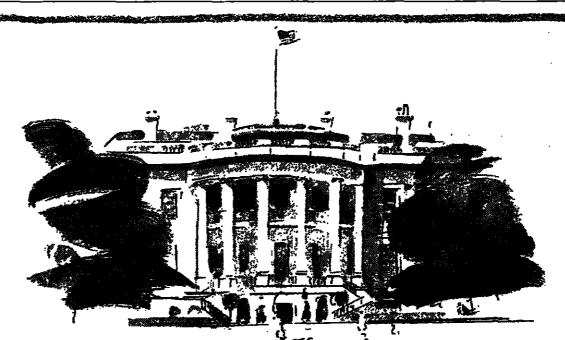
a shaky PMDB-backed coalition in Congress. Mr Quercia wants the PMDB to break with the government because it will be easier for him to campaign for president as an opponent rather than a

supporter of the already weak and ineffectual Franco administration.

If the PMDB withdraws support - and a decision is likely in the next few days - the government will face more problems co-ordinating congressio-Congress has already almost

general elections. Legislators are spending more time in their home states than in the capital. A long-awaited constitutional revision, due to be completed this month, has so far made almost no progress doubt without PMDB backing.

Some analysts say Mr Quér cia's nomination will lead to a serious and perhaps irreparato the 1964-85 military rule.





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Retail sales growth eases tax rise fears

By Peter Norman and Gillian Tett

A survey pointing to moderate retail sales growth in April and news yesterday of a seven-year low in the inflation rate for goods leaving factories suggested that Britain remains on course for a steady recovery with low inflation in spite of April's tax

The Confederation of British Industry reported overnight that retail sales volumes grew rather more quickly than expected in the year to April maintaining the "relatively modest annual growth in volumes" of the first three months of this year.

According to the Central Statistical Clarke, chancellor of the exchequer, Office yesterday, producer output prices - the price of goods leaving factories - rose by 2.2 per cent during the year to April, the lowest such rise

since December 1986. The two reports, at the start of a week packed with statistics, appeared to support the Treasury's belief that the risks of higher inflation are not as great as feared by the Bank of England and that the economy is strong enough to withstand increases in direct and indirect taxation that took effect last month.

That message was hammered home in Brussels yesterday by Mr Kenneth when he rejected European Commission forecasts that UK growth will fall next year to 2.8 per cent from 2.5 per

"The forecasts are plainly wrong and quite out of line with other peoples' forecasts," Mr Clarke said. "Britain's recovery is well on course. Inflation is staying down and I think we are going to have a good, steady, sustained non-inflationary recovery.

The CBI's monthly distributive trades survey, carried out between April 18 and May 4, showed that most retailers reported higher sales volumes in the year to April.

The improvement, said Mr Nigel Whittaker, chairman of the CBI survey panel, showed that the "high street recovery remains on course". However, he warned that April's volume growth remained below the yearon-year growth rates of late last year while retailers considered sales below

the seasonal average. The picture of an unspectacular recovery with low inflation was supported by the producer price figures. The "underlying" seasonally adjusted output price index, which excludes food, drink, tobacco and petroleum, showed no increase in April

The index rose in the latest three

months at an annualised rate of only 1 per cent. Meanwhile, input prices the cost of raw materials used by manufacturing - edged up slightly, reflecting higher commodities and imports costs. The index of input prices rose by 0.5 per cent in April from March and fell by 1.5 per cent during the year to April compared to the previous year.

While output prices are generally regarded as a good indicator of future inflation trends, last month's figure may have been slightly subdued because move in the annual budget from March to November meant no increase in excise duties last month.

Britain in brief



American Express plans credit card

American Express, the US-based financial services company, is test-marketing a credit card in the UK aimed at individuals who do not have an Amex charge card but who fit the cardholder profile. The move comes at a time

of increasing competition in the credit card market with several providers launching products which undercut traditional bank providers on both interest rates and annual charges. American Express has been

test-marketing a similar credit card product in the US and Canada for several months and is likely to launch it in North America first.

Our initial research tells us there are people out there who like the American Express brand but who definitely want revolving credit," the company said. American Express is

considering a range of annual fees and interest charges which will be lower than those of bank-sponsored credit cards but higher than those of the most competitive products on the market.

Car dealers increase profits

The UK's top 200 car dealer groups almost doubled their profits last year as sales began recovering from their steepest recession since World War II. However, the improvement

was the result more of tough cost-cutting measures than increases in sales volume, according an analysis of the sector's performance by motor trade monitoring group Sewells International and trade newspaper Motor Trader.

The analysis shows that the top 200 groups, which between them account for around one-third of new car sales in the UK, collectively earned pre-tax profits of £294m, a 75 per cent increase over 1992. Total value of sales, at £17bn, was 21 per cent higher than the £14bn a year earlier.

The figures were achieved against an 11.6 per cent rise in the UK new car market last year, to 1.78m – well below the 2.3m achieved in the record year of 1989.

Hitachi to open demonstrations

electronics company, is semiconductor design company in the UK as part of a plan to improve engineering services to

The value of the investment in the division, which will be called Hitachi Micro Systems Europe, has not been released but the number of engineers in Hitachi's existing European microsystems design division will roughly double from around 30 at present.

Mr Jim Duckworth, executive general manager of the electronic components group of Hitachi Europe said: Customers expect ever increasing levels of high quality local engineering design and development services to support their own design activities."

Mr Hajime Yasuda. managing director-designate of the new company, said it would offer a comprehensive range of design skills for all aspects of hardware and software design.

London to see more office jobs

Central London is likely to see a growth in total office employment of between 50,000 and 65,000 jobs by the year 2000, according to a report published yesterday.

The growth in office employment could generate demand for nearly 10m sq ft of extra office space by the end of the century, according to chartered surveyors St Quintin.

However, the growth in employment is likely to be less important in generating demand for offices than the need of City occupiers to change and upgrade their accommodation, the report

A quarter of City tenants are housed in unrefurbished pre-1970s buildings.

The chance of another explosion in the financial and business services sectors. which grew sharply in the mid-1980s, is "extremely unlikely" says the report.

Second term for regulator

Prof Stephen Littlechild. electricity industry regulator, yesterday received a mandate to continue in office until the end of the century when he was re-appointed for a second five year term of office.

The announcement by the trade and industry department yesterday confirmed industry expectations but comes after speculation that he may have lost the confidence of the government because of controversial stands on issues including coal and electricity generation.

The re-appointment to August 1999 will enable him to oversee the introduction of a system which many people believe will be as close to full deregulation as is

Tate and Lyle

today outside 15 plants of Tate and Lyle in Britain, the United States and Canada in support of 750 workers locked out for 11 months from its A E Staley starch and sweetener

"These actions will send a

Blair courts the left as Brown's support fades

By Kevin Brown, Political Correspon

Support for Mr Gordon Brown, shadow chancellor, was ebbing rapidly among MPs of Britain's opposition Labour party yester-day as Mr Tony Blair, shadow home secretary, put out feelers to the left in his bid to succeed

Mr John Smith as leader.
Mr Blair, who met left-wing
MPs in his office at the Commons, was believed to be seeking the endorsement of Mr Robin Cook, shadow trade and industry secretary, who is one of two potential left-wing can-

didates for the leadership.

Mr Cook is picking up support from the small group of hard-left Labour MPs, but his backers among soft-left and Scottlich MPs believe he mould Scottish MPs believe he would be well advised to reach an agreement with Mr Blair because he cannot win the

If support for Mr Brown continues to fade, such a deal would open the way for a straight fight between Mr Blair and Mr John Prescott, the centre-left employment secretary. Friends of Mr Prescott said Mr Blair would "definitely" face leadership contest, even if all the other candidates with-

draw. "The party will demand an election," one said. Some MPs said the leadership race would be simplified if Mrs Margaret Beckett, the deputy leader, enters the contest. Mrs Beckett is not expected to run, but her candidacy which would create a deputy leadership vacancy - would with Mr Cook.

Candidates for the leadership are carefully avoiding public campaigning until after the funeral, in deference to the

Labour's ruling national executive committee would probably decide next week to complete the election by the end of the third week in June.

He dismissed a call from Mr John Evans, a member of Labour's organisation commit-tee, for the election to be held at the party conference in September. "For this to go on through August and September is not a happy prospect for the Labour party and ugly for Britain as a whole," he said. Friends of Mr Brown said he

his support when open cam-

paigning begins next week.

open the way for a strong left-right ticket teaming Mr Blair

for Mr Blair opens the prospect that the contest could be reduced to two candidates shortly after campaigning begins in earnest following the funeral of Mr Smith in Edin-

that John Smith deserves." Mr Blunkett said that

number of MPs would rally to

The rapid growth of support

burgh on Friday.

wishes of Mr Smith's family and the shadow cabinet. Mr Blair withdrew from a scheduled speech to a police audience, and Mr Brown cancelled a planned visit to South Wales However, Mr David Blunkett the party chairman, said the party was already suffering from election "hype," in spite of requests for "the dignity

believed that a substantial

response vehicles on 24-hour patrol in London is being increased from five to 12.

A PC demonstrates a handgun yesterday after the announcement that specially-trained officers will carry weapons

London moves towards armed police

Armed police will become a more familiar sight in London Mr Howard said the changes could be introduced in other under measures announced by Mr Michael Howard, home sec-British cities and it was up to local police chiefs to decide. Crews of armed response He defended the moves as a vehicles - patrol cars which attend incidents involving fire-"measured response" to current problems facing police. Mr Alun Michael, home arms - will be allowed to wear

affairs spokesman for Labour, welcomed the move. "I think it is right to be responding and reassuring to police who are at the sharp end and subject to very violent

He called for work on local partnerships between police and local communities to reduce the atmosphere in which carrying gnns was almost acceptable in some

Although critics will see the step as a further move towards the abandonment of Britain's tradition of an unarmed police service Mr Paul Condon, Metropolitan Police commissioner, said he hoped it would "postpone the necessity to routinely arm police officers." The move would restrict the issuing of firearms to highly trained

survey of police and public views on arming officers. It is likely to show growing support among officers for wider availability of firearms. Federation vice-chairman Mr

ence, which opens in Brighton

today is expected to release a

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Fred Broughton welcomed Mr Condon's announcement as positive and constructive". He told the BBC: "The problem of policing London particularly is that there is an expec-

tation of violence, an expectation among police offi-cers that they will face life-

UK design arm

Hitachi, the Japanese

European customers.

Demonstrations are planned subsidiary in Decatur, Illinois.

message that workers on both sides of the Atlantic are united against Tate and Lyle's conduct in Decatur", said Mr Alan Gordon, national organiser for the British union

Cable boost for phone services

By Andrew Adonis

Rapid growth in the market for premium-rate telephone services was predicted yesterday by Icstis, Britain's telephone information services

Icstis said it expected cable companies to join the market soon, offering premium-rate services over their telephone and television networks in urban areas.

Baroness Dean, Icstis chairman, said: "There will need to be a level playing field for all companies operating across all networks."

lestis wants the cable industry to sign up to its code of practice regulating premiumrate services, to which BT and Mercury already subscribe. Mr Richard Woollam, director of the Cable Television Association, said he was "con-

fident" it would do so. The premium-rate industry had a turnover of £250m last year. There are more than 350 service providers; nearly 20,000 services are in opera-tion with an estimated 6m calls made each week.

The entry of the cable companies into the business is likely to boost the number of services, and increase price competition between operators. At present, calls cost a standard 39p a minute cheap rate and 49p a minute at other times, with only one premiumrate number - Mercury's 0881 - charging a lower rate.

However, higher tariff-bands are also in prospect for "quality" business and information services, subject to Icstis approval. The group said it was "unlikely" to agree to higher tariffs for services with appeal to children and a mass

The Icstis annual report shows high usage of premiumrate services by children. A survey of 1,000 children aged between seven and 19 found that 21 per cent had used a service in the previous three months, with usage highest among 11 and 13-year-olds (34

AA Insurance to alter working patterns

AA Insurance Services, one of Britain's biggest motor and home insurance retailers, is to switch many of its 5,100 staff to flexible labour contracts in response to the growth of telephone insurance companies like Direct Line. This will mean further part-time working for the mainly female labour force as the company seeks to reduce costs and increase the efficiency and flexibility of its network of 250 shops. Details will come next month when the company, which is talking to unions about the changes, announces an overhaul of its operations.

AA has lost business over the last three years to Direct Line and other "direct writers", insurers which sell by telephone directly to the public, bypassing the industry's traditional middlemen. Recent price competition in motor insurance has also put extra pressure on margins. Shops which typically obtain a commission from insurers of

By Alan Pike, Social Affairs Correspondent

sidearms in holsters at all

times. Until now, they have

drawn their guns from lockers

in the cars only when arriving

at incidents. When officers are

in shirtsleeves, holsters and

guns will be clearly visible.

retary, yesterday.

between 10 and 15 per cent on business sold have seen their income squeezed by recent falls in premium rates. "There is a fundamental change in the amount of margin available as a reward for distributing insurance prodance Services earlier this year.

The AA expects the amount of commissions on motor insurance available to the country's brokers and intermediaries to fall from £700m in 1992 to £435m

Mr Wood said the competitive pressures faced by chains of insurance shops from the "direct writers" were similar to those faced by supermarkets from discount warehouses.

The number of AA Insurance part-time staff has increased from 420 in 1988 to more than 1,400 and seems likely to rise further as greater flexibilucts," said Mr Mark Wood, who took ity is introduced to shop opening hours,

opening being introduced.

"Frequently insurance brokers tend to say let's open our offices when every-one is at work. We need to turn that on its head," said Mr Wood, "The industry is very confused about the retailing proposition. There is a traditional view of our being a service like an accountant or a solicitor," added Mr Wood.

The AA recognised that more consumers were prepared to buy insurance over the telephone, but Mr Wood insisted its network of shops made the group ideally placed to follow-up on claims which customers frequently preferred on a face-to-face basis.

establishing a wholly-owned

GMB vesterday.

London irritated Searching for equity in Ulster's workplaces by Irish PM's upbeat remarks

Hopes of a breakthrough in the search for peace in Northern Ireland were set back yester-day as it emerged that the at tone of recent remarks by Mr Albert Reynolds had irritated London.

The Irish prime minister's comment that written ques-tions from Sinn Féin, the IRA's political wing, about last December's UK-Irish declaration were "answerable" was seen as unhelpful by some in the UK government because it raised expectations the deadlock might soon be broken.

Mr Reynolds's comments came after unscheduled talks in the US with President Bill Clinton. The Irish prime minister said he hoped London would give the most positive response it could. But Downing Street yester-

day moved towards clarifying one of the questions raised by Sinn Féin by hinting strongly that acceptance of the joint declaration was not a precondition for involvement in political talks. Downing Street said the "primordial" requirement for \$inn

Féin to enter talks was a permanent end to the IRA's armed

campaign. It said this renunci-

ation of violence was "at the

London intends to publish

heart" of the declaration.

Sinn Féin's questions, which were forwarded by Dublin, at the same time as its comments, probably tomorrow
Mr Gerry Adams, the Sinn

> questions without giving pre-Government sources at Westminster were yesterday playing down expectations of what might emerge from London's comments.

Féin president, has sketched

out the areas covered by the

They said many of the ques-tions raised matters that would only be resolved after further talks between Ulster's constitutional parties. At least one of them consti-tuted a "trick question", since it appeared to refer to a union-

ist veto that the government

has consistently maintained does not exist. As unionists warned of a likely upsurge in loyalist violence if the government's response to Sinn Féin was too explicit, police launched a drive against suspected loyalist

terrorists in Belfast. Downing Street insisted last night that the government was not "in the business of clarification" and had only "helped the Downing Street Declaration to explain itself". It said the exercise of com-

menting on the Sinn Féin doc-

ument was "no different in

kind" from previous speeches.

Michael Cassell on the Fair Employment Commission

r Bob Cooper may not be amused at the prospect of his organisation being taken before Northern Ireland's fair employment tribunal to answer an employee's allegations of religious bias. The organisation in question is, after all, the Fair Employment Commission set up to help eradicate decades of damaging

workplace discrimination. But Mr Cooper, the FEC's chairman, can perhaps find some consolation from knowing that the tough set of antidiscriminatory laws he is in business to enforce in Ulster are increasingly understood and that workers will not hesitate to invoke them if they believe they have a grievance.

It is nearly five years since the government revamped legislation to try and tackle head-on the unlawful discrimination which for decades has scarred many aspects of life in the province. With problems over the allocation of housing and electoral abuses largely overcome, new measures were felt necessary to wipe out the religious discrimination still

rampant in the workplace. The answer was the Fair Employment Act 1989, a tough package placing fresh responsi-bilities on employers to monitor the religious composition of staff and to enact equal opportunities at work. The Act cites more than 20 criminal offences and lays down punitive economic sanctions against defaulting employers. The com-

pensation ceiling for tribunal awards to individuals has just been raised to £35,000 and already a pay-out close to the maximum has been made.

Next year, the legislation is to be reviewed and organisations across the province are assessing its success so far and compiling recommendations for changes. The general, though not universally accepted, view is that the Act has made a useful start in combatting discrimination in the office and on the shop floor but that there remains a very long way to go.

For decades, Catholics were effectively banned from whole areas of public sector and commercial life and knew it was a waste of time even applying for jobs they were qualified to do. Most grades of the civil ser-vice were devoid of Catholics now they hold three of the province's 10 permanent secretary postings - and there were few in the professions or in skilled industrial jobs. With unsuitable schooling and poor qualifications, they were

trapped in a vicious circle. Catholics, who make up nearly 40 per cent of the available workforce, are still underrepresented right across the economic community remaining "blackspots" include senior civil service grades - but the gap is slowly

narrowing. Discrimination nevertheless remains well in evidence, with a spate of tribunal findings suggesting that Ulster's dis-

trict councils and health and education boards among the worst and most persistent offenders. Many private sector companies, overwhelmingly manned by workers from one other side of the religious divide, have so far failed to

make significant changes in their employment profiles. The picture is not just one of stubborn protestant bosses. Among the biggest employers, some Catholic dominated companies are apparently proving slower than businesses with predominantly Protestant orkforces in redressing the

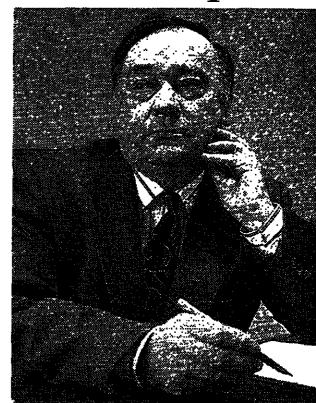
It is accepted, however, that effecting change can be impeded by the religious make-up of the local labour pool and by declining workforces in the wake of recession. The biggest imbalance

balance.

though remains among the unemployed, with Catholics still more than twice as likely to be out of a job than protestants. The situation has barely improved in 20 years with many employers avoiding an under-skilled and inexperienced labour force rather than consciously discriminating on

religious grounds. As a review of the Act approaches, Mr Cooper is not complacent: "So much more remains to be done but if you look at where where we were coming from we have already

moved an enormous distance". Ulster politicians, predictably, are divided. While the mainly-catholic Social Demo-



Bob Cooper, chairman of the Fair Employment Commission, set up to correct years of workplace discrimination Picture, Piccom

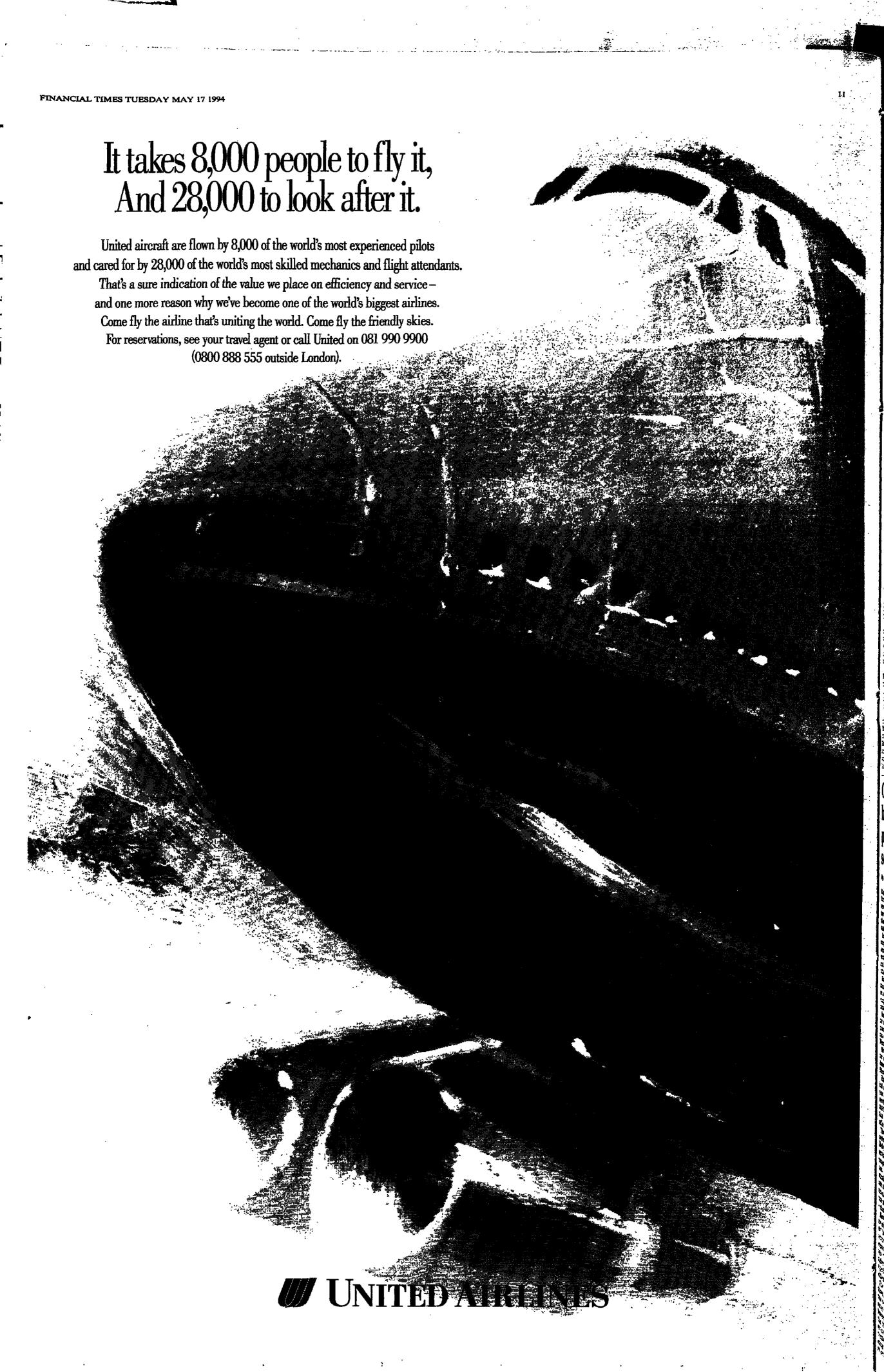
cratic and Labour Party believes that the 1989 legislation is beginning to have a beneficial impact on employment imbalances, some Ulster Unionists complain it is now discriminating unfairly against

protestants. There will, even so, be pressure on the government to make changes.

The CBI believes the tribunal process has become too lengthy, overly legalistic and costly, encouraging some employers to opt for a quick. informal settlement irrespective of the strength of the case.

Employers also believe too many aggrieved employees are using the law as an act of first. rather than last, resort.





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Factoring's unsung role for exporters

An overdraft is not the only option for companies trading overseas, says Mark Runiewicz

ddie George, governor of the Bank of England, gave factoring a generous "plug" at a dinner in London last week. Yet for all the publicity which this form of finance now receives, a surprising number of businesses. notably exporters, remain

ignorant of its charms. Around 85 per cent of UK exports are still financed by the traditional bank overdraft, despite the advantages of using factoring companies - which buy debts in return for an immediate cash payment, take over debtor records and provide a collection service

Overdrafts, indeed, are seldom used effectively to finance overseas trade. Most banks seek security for loans, often using a company's assets - including its trade debts - to support any overdraft. Secured by a floating charge, they will usually lend up to 60 per cent of the value of a current UK receivable, but they still will not lend anything against the value of foreign trade

This leads to the absurd situation where a company might be given no credit on the back of an export sale to, say, a leading multinational conglomerate – but would be advanced up to 60 per cent of the value of a sale to

a small corner shop. Some of the clearing banks admittedly have export finance schemes using credit insurance on the overseas buyers as security. Unfortunately, the number of these schemes has fallen from 14 to five over the last two years, although National Westminster Bank has recently re-entered this market.

As many factoring companies are owned by large financial institutions, it is perhaus surprising that the wide variety of services provided by factors are not adopted by the clearing banks for their export finance

There are, of course, deeply rooted reasons why some exporters are reluctant to take advantage of factoring companies. Undoubtedly the old image of factors as "lenders of last resort"

haunts factoring companies. Suppliers are sometimes concerned that overseas buyers might consider the exporter to be in financial difficulties if export debts are factored. It is an attitude which needs to be revised.

The factors now provide highly competitive financing rates linked with fast information reporting systems and also keep exporters informed of payments received and outstanding debtor values.

Factoring is also considered expensive by exporters, but they seldom take the various savings into account. For instance, there is less need to send out invoice ninders to customers and there is less requirement for internal credit control and bookkeeping. There are no legal costs in collecting bad debts. Experience shows that

Companies using factors obtain payment faster than when traditional methods are used

companies using factors obtain payment faster than when traditional payment methods are sed, because debts can be paid to an associate factor in the

buyer's country. A company with a turnover of £2m can expect to save about £25,000 in costs or 1.25 per cent of turnover in a year. Factors can finance a company's total debts or sometimes selected invoices. Factoring, though, is not

exporters must assess their specific financing requirements. Take Company A, which exports 90 per cent of its £2m turnover to multinational companies in overseas markets. The company receives payments on average within 60 days from the date of despatch, for which it reguires working capital of

suitable for all companies and

The company had an overdraft facility of £50,000 and funded the balance of its working capital

need from reserves, causing pressure on its liquidity. The company's bank would not increase the overdraft because of the large proportion of overseas

Company A had two options: reduce export turnover or find an alternative source of finance. By turning to a factor the company was granted a facility covering 85 per cent of its debtor book with a limit of £240,000.

The factor provided finance and a debt collection service in the buyer's country - an altogether more efficient way of receiving and collecting payment. Overseas debtor days were reduced from 60 to 45, reducing interest charges and increasing working capital. The interest rates charged by the bank and the factor were the

same although the factoring costs were 1.5 per cent of turnover. This cost was offset not only by the reduction in the interest bill but also by greater use of working capital. Company B, which exports 60 per cent of its £5m turnover and

sells mainly to the Middle and Far East markets, required additional funding to complete a series of contracts. The company sold mainly on letter of credit terms with a credit period of 60 days and needed its bankers to confirm both the letters of credit and provide

funding. Although the company had a small overdraft facility, the bank was happy to extend facilities based on the large value of work in progress and the commany's assets. The company had considered factoring but found it was not appropriate because of the large

and the small volume of open account business. The lesson is that exporters should seek the most appropriate financing arrangements for trading overseas; and an overdraft should not be considered the only

volume of letters of credit received

The author is trade finance consultant at the Bank Relationship



Some marriages may be made in heaven, but the relationship between private investors and entre preneurs is almost invariably stormy.

Sarah Anderson can vouch for this, having seen it from both sides of the business. Founder of Mayday Staff Agency Services, an employ-ment bureau for the catering industry in which outside investors took a stake, she is now lead investor in a start-up business, Teddies Nurs-

Anderson is convinced the nurturing of business relationships is crucial if private investors and the entrepreneurs they back are to stand a chance of succeeding.

"When a business is running well, the entrepreneur thinks they are putting everything in and the investors are vultures, says Anderson. "When it goes badly it is the other way around, with resentment that they are not pulling their weight." It was the arrival of her children that launched Anderson's career as a business angel and has inspired a number of her subsequent investments. "I was bored with running Mayday full-time, got married and pregnant," she says. "In 1990 I started going to meetings of potential investors at LINC" - the Local Investment Networking Company run by a group of government-backed Enterprise Agencies.

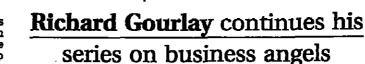
Teddies Nurseries was one of the companies that gave a presentation at LINC's regular investor seminars. Its entrepreneurs - Nicholas Botterill and Amanda Ramage wanted to open a chain of high-quality, branded day-care centres. The first flagship operation would be launched in a residential area. The rest would be set up near large office blocks to service what they hoped would be a boom in corporate spending on child care for staff.

"I could recognise a good plan because I had been running a business," says Anderson. "They were very young, bright and one had been a management consultant with Stoy Hayward. I liked the people and the product and it was a start-up which I wanted." Starting with 20 per cent of the

equity, the entrepreneurs were encouraged by a ratchet agreement that would have given them control of the company if they performed to plan. However, Botterill and Ramage quickly ran into the quicksand of London's planning laws. It took longer than expected to find buildings with the right planning consents. The first Teddies in Fulham - now full and thriving - was late in opening, the second in Twickenham only creued in Octo-

ber, 10 months late.

"Rach centre makes more money than we ever projected but the



with a visit to a nursery

Seeing it from both sides



ratchet was flawed because it was based on a time scale which when extended made majority ownership

impossible to achieve over the fiveyear period," says Ramage. Whatever the reason, the missed targets and the argument over

whether the ratchet should be changed, soured relations. The business ate cash and Teddies needed re-stuffing with money. ratchet was clearly not going to be available to them so they were not incentivised," says Anderson.

"I always felt the investment was something that might be lost," she says. "I was far more angry about the relationships that were going wrong and that it was no longer

Anderson decided refinancing would not be pouring good money after bad. The business, now successfully operating two full nurseries, has recently broken even, and the concept is now proven. But Ramage is trying to find new investors to buy Anderson out.

"If I had my time over again l would negotiate the contract differently but I am perfectly happy with the way we found the investors and the people we went in with," says Ramage. Both sides made mistakes in negotiating the original con-

tracts, she says. This tension is familiar territory for Anderson. At Mayday she had to put up with outside shareholders. For ten years she had been "happily working" for Compass, the catering company, ending up as a personnel and training manager. Asked to find ways to make money from the personnel department, she suggested an internal staff agency to replace outside contractors through which Compass was putting £500,000 of business a year.

Six weeks after Anderson had set up the agency as a subsidiary, she persuaded the chief executive she was doing him a favour by taking this "lousy business" off his hands. For the princely sum of £7,600 to buy the goodwill she was running her first business.

Though she did not need the finance, Anderson's father came on the board and the venture capital company he was then working for took a 10 per cent stake.

"My view of private investors was very antagonistic," says Anderson.
"I felt I did all the work and that was why I had a successful com-pany. I look at it slightly differently

While Mayday has been a success - with turnover of £2m and 21 permanent staff - and Teddies is coming good, Anderson has had one equivocally disastrous investment". Attempting to repeat May-day's London success in Cambridge and Bristol, Anderson backed two entrepreneurs to set up and run a subsidiary. Their sales forecasts proved unrealistic and £35,000 later the business failed. Anderson says.

"I learned you need to be brave enough to pull the plug early," Anderson says. "We should have pulled the plug after six months. An individual's capability does not change very dramatically over

Anderson has also raised commitments for money to set up childrens' activity centres. Again Lon-don's planning laws tripped her up and she is now leading her backers into a similar project in Guildford she found through LINC.

And coming full circle Anderson has also started investing in herself again. With a neighbour she is launching into the manufacture of a folding childrens' lavatory seat called a Toodle-loo.

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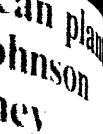
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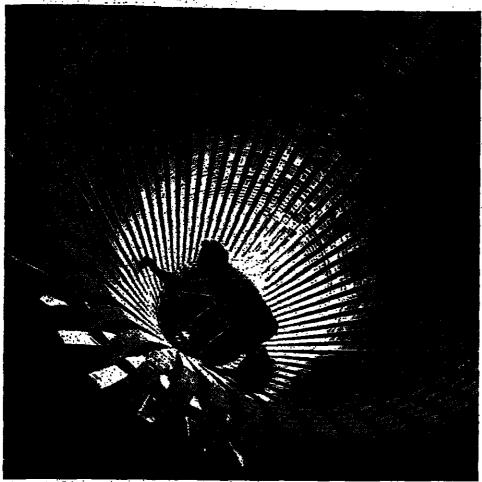
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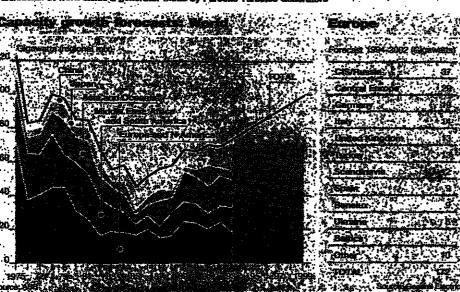
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Embattled western suppliers risk more restructuring if they fail to win the new business generated by Asia's expanding economies, writes Andrew Baxter

Centre of gravity moves to the east

s growth in demand in the world market for electricity generating equipment shifts inexorably eastwards, western suppliers are wardy eyeing each others' efforts to benefit from growth

markets has left the industry with surplus capacity. In the new markets of Asia, they are faced with increasing demands to share contracts and technology with local partners. The top suppliers, whose wares are on show at this week's Power-Gen '94 exhibition in Cologne, have yet to demonstrate whether they can meet this

A review just of April's events in the industry shows where the big new deals are being struck. On the same day, Zurich-based Asea Brown Boveri announced a contract worth about \$1bn to build a turnkey 1,300MW gas-fired combined cycle plant in Malaysia, while Siemens said its KWU power generation business had clinched an order worth nearly DM1bn to equip a 2,364MW combined cycle station in Taiwan.

Also in April, GE of the US announced a \$170m order to supply a turnkey power plant for a 440MW independent power project in Malaysia, one of the first such stations planned by the south-east Asian country. And Westinghouse Electric, also of the US, picked up an order worth more than \$100m from Korea Electric Power for the supply of turbines, generators and

Much of the demand is being met through joint ventures and similar arrangements. Two

deals are particularly striking. ABB is forming a majority-owned joint venture in Vietnam with CTBT, a local transformer manufacturer. The European company said the venture was the biggest in the electrotechnical industry to be undertaken in Vietnam by a

foreign company.
In the UK, meanwhile, Babcock International has announced a partnership agreement with Wuhan Boiler Works, China's fourth biggest boiler maker, which is designed to help Babcock expand its presence in the Asian market Significantly, the first order

following the agreement will see Babcock supplying design expertise while Wuhan will be doing the manufacturing. The UK company is recognising that to win orders in Asia, western suppliers cannot expect to produce everything

As ABB's figures show, (see chart), there is enormous variation between different regions, which explains why suppliers are having to turn themselves into global players. And the upward line in the forecast is due mainly to growth in China and Asian

"Suppliers have historically been in markets that last year were shrinking - Europe, the US and Japan," says Mr Göran Lundberg, an ABB executive vice-president and head of its power plants business. "Global growth is coming out of the internal growth of China. So everyone is tense and nervous, competition is hardening." Mr Lundberg believes that the power equipment industry is facing some "quite dramatic"

the next five to 10 years to become more global. The ambi-China and Korea will make it important for western suppliers to recognise the need for new alliances and combina-

Also, he says, large equip-ment suppliers will have to continue investing heavily to ensure they have a broad range of products for customcial and technical priorities, and will have to raise ing productivity in their traditional manufacturing plants. Suppliers should only manufacture in high-cost countries when it is competitive to do so, he says.

BB's assessment of future growth for the industry broadly coincides with those of its rivals. Westinghouse, for example, says that the global market for new capacity additions is about 60,000MW a year, and says demand is expected to grow to about 100,000MW amually in the next 10 years.

Even so, the total market will only then have recovered to levels reached in the late 1970s, and its geographic and competitive profile will have been transformed. Mr Lundberg believes, therefore, that the industry will see further restructuring, and that small and medium-sized European players will find it difficult to cope with the challenges ahead. "They may need to get into a larger structure so they can draw on the resources of the larger company with its

volume," he says.
In spite of the heavy restructuring that has already

taken place in the industry, Mr Lundberg says it has not gone as far as in other "oligopolic" industries, through exchanges

of products, for example. Meanwhile, although Asia is clearly at centre stage, there is still activity in the wings. In spite of the gloom of recession in many European countries, the power equipment market there looks to be very promising, says Mr Ronald Pressman, chief executive of GE Power Systems – Europe.

He foresees annual growth in the installed power capacity base of 2 per cent, which may not sound too exciting, but equates to an overall 172,000MW growth in the man ket between 1994 and 2002 (including Russia and Central Europe). There are a variety of dynamics driving the market, he says, including economics

and the environment. There is an awful lot of the installed base that is old, rela-tively inefficient, and is not burning the cleanest of fuels," he says. No country can afford to let its industrial sector pay more than the world rate for power, so this creates a powerful argument for installing replacement equipment.

Privatisation and the development of independent power projects is seen by Mr Press-man as the third big issue in

Europe.

The UK, where both GE and its business associates have supplied independent power producers, still provides the best model, but Mr Pressman is not alone among power equipment executives in predicting the continued spread of privatisation on the continent.

Signs of recovery in Germany, which could have a knock-on effect across the continent, also point to increased demand for power. But Mr Pressman is also optimistic about developments in central Europe and particularly Hungary, the Czech Republic and Poland which, he says, are

leading the pack". Last month, GE scored a notable coup by clinching a 10year co-operation agreement with the much-wooed Skoda of the Czech Republic. This was the US company's first power equipment-related joint ven-

CHINA will provide years of work even if its vast programme contracts; while Japan's utilitles drop their imports taboo, its heavy equipment makers step up their export efforts PAGE 2

TOM GIBSON: Gizsgow's merchant adventurer; a faint smell of gas as Asia's privatisation tide continues PAGE S

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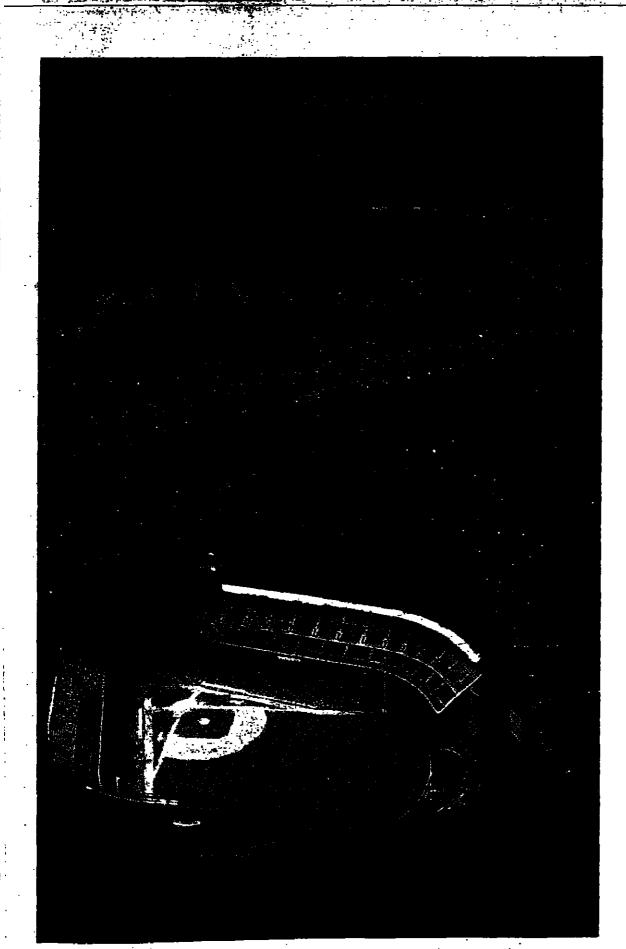
ture in eastern Europe and was negotiated under the nose of Siemens, which has been talking intermittently to Skoda for more than two years.

Russia has also received considerable attention from suppliers in recent months, as much in words as in deeds.

Mr Percy Barnevik, ABB's president, was one of the first western businessmen to criticise the low level of funds being made available to the countries of the former Soviet Union to upgrade their power stations and bring the more modern nuclear stations up to western safety standards - and

Earlier this year, Mr Barnevik said the west had missed an opportunity to help Russia

Continued on next page



Can you light Natural gas - affordable, safe and available - is an increasingly up the sky without popular choice for driving turbines that generate electrical clouding the air? power all over the world. Although it burns relatively cleanly,

combustion does produce nitrogen oxide, implicated in acid rain. Abatement techniques have reduced emissions, but heightened awareness among the industrial nations continues to generate tighter legislative controls and the development of ecologically-sound power plants.

Conventional methods of controlling emissions are costly and dampen efficiency. However, ABB research has now developed a way to burn them off. It is a total solution, reducing pollutants while maintaining efficiency, thus consuming less fossil fuel. ABB has installed its innovative "EV-burner" in the Midland Cogeneration Venture, a joint project to produce power for the Dow Chemical Company and the State of Michigan, USA. At full power load, this plant is now producing emission levels well below the world's most stringent requirements.

and distribution, in industry and transportation, ABB is committed to industrial and ecological efficiency worldwide. We transfer know-how across borders with ease. But in each country, ABB operations are local and flexible. That means we can help our customers respond swiftly and surely to technological challenges which stretch the limits of the possible. Like

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burning gas without clouding the sky.

The programme, according to China's Ministry of Electric Power, calls for a further 12,000MW of capacity to be added this year, boosting levels from the end-1993 figure of 176,000MW. The pace of new power additions will be accelerated on a year-by year basis and will reach a remarkable rate of 20,000MW per year in new power

plant additions by 1996 at least. The programme is breathtaking by global standards and exceeds by a wide margin expansion programmes being planned by other developing nations. Even if the target is not achieved, the gains still will be substantial enough to provide exceptional business opportunities for western equipment suppliers, consultants, banks and companies seeking partnerships in the power sector.

Not surprisingly, the front runners in Chinese joint ventures are such Hong Kong-based groups as the private sector utility China Light & Power (CLP); Gordon Wu's CEPA, a division of Hopewell Holdings; New World Development, Hutchison Whampon and Cheung Kong Holdings.

An increasing number of outside groups

China's huge electrification plans will ensure opportunities for many years, writes Frank Gray

Hong Kong groups lead the charge

the US Wing Group, as well as equipment manufacturers General Electric and Westinghouse Electric; PowerGen and BICC of the UK and numerous other companies from Europe, Japan and North

According to the Ministry, a total of

Most foreign partner schemes are coal-fired, but some hydro plants may also be offered

35,000MW of capacity will be up for grabs by foreign independent power developers between now and 2000. Without such foreign help, its ambitious targets will fall far short of target. It has identified a total of 34 projects, both large and small, which it wants to see developed on a build-own-operate or build-operate-transfer (BOO-BOT)

Most of its proposed foreign partner pro-

hydroelectric schemes are also being considered for the private sector. However, the government wants to diversify its energy sources for foreign joint ventures, particularly along coastal sites where coal is not easily available owing to rail transport problems, away from coal and hydro and into other fuels, notably piped gas, LNG and nuclear.

This will be a big challenge in that the two power sources comprise virtually all a's electricity supply. A natural gas pipeline will supply the first 2,400MW phases of Hong Kong's Black Point power station starting in 1996. The complex is owned by CLP of Hong Kong. Preliminary discussions suggest that some of the gas, taken from Hainan Island, could be used for other power stations, but that will depend on the Hainan reserves. At present, the gas is the only such supply being used for power generation in China. Several foreign ventures are bidding to coast, notably the Wing Group, which is examining terminal sites in the Shanghai region. The LNG would have to be imported but would alleviate coal pollution and transport problems.

The World Bank recently announced a \$255m development loan to boost natural gas potential in Sichuan Province to underpin a \$945m scheme. The aim of the scheme is to cut down reliance on coal, particularly for home heating, and to create a base of gas for power station use isn the region.

A major development is China's nuclear programme. The first 950MW unit of the Anglo-French-built two-unit complex at Daya Bay, 50 km northeast of Hong Kong, went on line over the winter and is now delivering electricity to China Light & Power. The second unit is now completed and is being prepared for commercial operation. A further complex is planned nearby, also to be foreign built. A further

complex of similar size is being planned for Yangliang, near Macau, west of Hong

China is also operating a separate 300MW domestically-engineered reactor in the northeast and is planning new homebuilt units of 600MW each, with consultancy help from Electricité de France. In

China's own plant builders are working flat out and producing only mid-range technology

all it hopes to see some 7,500MW of nuclear capacity operating or near comple-

A major reason for the reliance on foreign help is the fact that China's own power equipment manufacturers are operating at full tilt and producing only midrange technology. For manufacturers, the willingness to transfer technology and form joint ventures with Chinese counterAccording to Nomura Research Institute

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parts will be the key to success.

in Hong Kong, China's manufacturers are capable of producing up to 400MW hydro. electric power generators and thermal electric power generators with a marimum 600MW capacity. China's big three equipment makers are China Harbin Power Plant Equipment Group: Shanghal United Electric Corp.; and Dongfang Elec-trical Machinery Works, the last of which is in the process of trading shares on the Hong Kong stock exchange. All are under stood to be seeking major equity share holdings from their foreign counterparts. It is their output shortfall that has

helped open the doors to western hard ware supplies, analysts say. These imports, which generally cost about 50 per cent more than locally-manufactured goods, are now estimated to contribute about 20 per cent of China's annual installed capacity.

Indeed, so serious is the domestic equip ment supply problem that China's giant Three Gorges hydroelectric project, which is projected in the early part of the next century to reach 22,000MW, will require a least 12 of its 26 hydraulic turbines to be foreign supplied, say Beljing officials.

□ Frank Gray is editor of Power in Asia, a FT energy publication

apan's power equipment market is changing fast presenting foreign suppliers with opportunities to cash in on one of the world's largest but toughest markets.

Japan is a mature economy where overall growth has skiddecades as one of the world's top performers, and its increase in electricity demand has slowed accordingly.

According to Tokyo Electric Power Company (Tepco). Japan's largest power company, which sells about a third of the country's total electricity, total Japanese electricity demand will rise from 689bn kwh in 1993 to just 885bn in 2003. In the 10 years between 1965 and 1975 it tripled.

Estimates for annual growth in the generation equipment market are correspondingly low. Mitsubishi Electric Corp (MEC), which provides machinery in power projects run by its cousin Mitsubishi Heavy Industries (MHI), reckons Japan will yield around 84GW of new capacity over the next

"It is a very mature market." says Del Williamson, president of GE Power Systems Asia. "The low growth has continued to decline. Percentage wise it's like the US - in the one to two per cent range."

Two growth areas will be plants running off liquid natural gas (LNG) and nuclear

Japan has always been feature of this extremely nervous about the ids on the out side world for almost all its energy requirements, and has been trying to cut down the amount of power it generates from oil to reduce its depen-dence on the Middle East. LNG and nuclear has been a major

feature of this policy. In 1973, Japan generated 60 per cent of its electricity from oil, but last year that was down to 16 per cent. In 2003 the figure is expected to fall further to 10 per cent, according to Tepco.

LNG accounted for 33 per cent of total electricity genera-tion in 1993, which should rise to 37 per cent 10 years later. while the nuclear proportion will increase from 25 per cent

There is also a move towards upgrading existing facilities with equipment that is cleaner



A very meture market: main reactor control panel in Japan's Kashiwazaki Kariwa nuclear station

Japan buys little but imports are no longer taboo, says Ronald Ayers

Land of the rising paradox

can boost energy some five per cent to around 48

"The modernisation and upgrade and replacement is similar to what was seen 10 years ago in the US." says George Butterfield, president of Westinghouse Energy Systems Japan. "A lot of equipment for the growth period in Japan in the 1960s and 1970s is reaching the age

for modernisation." Tepco says it has already increased capacity by replacing some of the thermal facilities it started up during the period from the late 1950s to 1970. It is now considering scrapping a plant in Shinagawa in Tokyo, consisting of three 125MW generators, and building a

1,108GW facility instead. Recently, however, recession and two successive cold

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companies revenues. prompting them to rein in their spending on new capital equipment. Tepco announced in April that its capital investment for the 1994/95 fiscal year (ending March 31, 1995) will fall 0.2 per cent from the previous year to 1.692

trillion yen - its first decline in seven years. Combined investment by Japan's 10 electric power companies is likely to slip below five trillion yen in the year, from 5.01 trillion in 1993/

Investment by the utilities has been very strong, but it's starting to slow," says Timothy Marrable, a senior analyst at Baring Securities (Japan). While there may not be

much good news for Japan's market as a whole, it at least looks more enticing for foreign companies. from the US, to reduce its enormous trade surplus has led the government here to

encourage companies in all

sectors to look beyond their

domestic suppliers and buy equipment from abroad. "The requirement to import more equipment to offset the

and more efficient. The main summers, which cut electricity balance of trade has caused some of these expectations are is demand from air conditioning, Tepco to buy even more combined-cycle systems, which have eaten into the power equipment on a direct basis Williamson of GE. opening the door a crack at least to outside suppliers." However, with the yen

reaching unprecedented highs over the last six months, many companies, under pressure to

Most business won by

foreigners has been

through Japanese firms

cut costs are all too glad to do this. Tepco recently announced it would publish annually a list of equipment purchases it is planning for each year. Also, starting with Tepco the power companies are planning to increase the proportion of outside procurements they make through competitive

third of these. Westinghouse's Butterfield sees costs as the main factor in the industry's new openness. "I don't believe there's been restrictions in the power industry. It's difficult to do business here because of the expectations of the customer in the power industry and I think

bidding which currently accounts for only around a

reasonable," he says. "The power companies themselves to the world looking for components and equipme think cost is more of an issue [than trade friction]." Up to now most of the

business won by foreigners in Japan has been through relationships with Japanes makers rather than through direct sales. Westinghouse has worked closely with MHI, while GE has relationships with both Hitachi and Toshiba. GE's co-operation with

Toshiba in the gas turbine field has included providing combined-cycle units for Tepco's Futtsu Thermal Power Plant in Chiba, near Tokyo. commissioned between 1985 and 1988. It is supplying Hitachi with

three of the seven gas turbines for a 1,650MW Chubu Electric Co plant near Nagoya, and building nuclear reactors and upplying two 1,850MW steam turbine generators for the world's first advanced boiling water reactor plants in Niigata, on the Japan Sea coast. Part of a Toshiba-led project, these are faster and easier to construct than ordinary boiling water reactors and will also run more safely and efficiently.

Too quiet at home

Japan's Big Three join race for East Asian orders

making Japan's power equipment makers turn to the high growth East Asian markets. They are led by Toshiba and Hitachi, better known for their light electronics products, and Mitsubishi, the heavy industrial group. While the electronics indus-

try has been suffering over the last few years, both Toshiba and Hitachi have remained profitable thanks to their heavy electrical businesses.

Now, however, these divisions are also in trouble as Japan's economy slows and as Japanese companies become increasingly ready to take advantage of cheaper imports. For the Japanese power equipment makers this competition reduces their margins even when they succeed in winning domestic buiness. "Until now, the power compa nies have stuck with particular makers," says Katsuro Tsujiyama, manager of the power systems marketing planning department at Mitsubishi Electric Corp (MEC), which provides generating equipment

Mitsubishi Heavy Industries "But this system is collapsfrom America and Europe," he says. "It has a big effect on us. Buying abroad is cheaper and the power companies can get us to reduce our prices."

and electrical systems for

power stations contracted by

The solution they have hit on is a traditional one for Japanese companies: look abroad. However, this time they are not eyeing Europe and the US, whose markets are marred by recession and trade friction, but Asia. Countries with fast growing economies such as Malaysia and Indonesia are still plagued by power short-ages which they want to remove as soon as possible.

"We're thinking about developing countries," says Hiro-haru Takayasa, deputy manager of the overseas marketing group of MEC's power department. "The priority market now is Hong Kong - the econ-omy is growing and its light industry is getting bigger. China is the biggest hope for the future and Thailand has a lot of potential."

Baring Securities (Japan) reported last year that MHI's Asian sales could well rise from around 10 per cent of total parent turnover in the year ending March 31, 1993 to

SLOW GROWTH at home is around 30 per cent over the making Japan's power equipnext five or 10 years. The company's power equipment division increased its export ratio to get into emerging cons from 30 per cent in fiscal 1991 to 35 per cent the following year, it said. The pattern of increasing demand is similar throughout

the region. First, demand comes from industrial development. Countries inviting foreign investment need a solid infrastructure, a major aspect of which is electric power to run factories. Later, consumers using the products of these factories create further

However, countries vary

At Toshiba and Hitachi, heavy plant made up for losses on electronics

widely in how they award contracts to satisfy this. China, says MEC's Takayasu, while having the largest potential, is one of the trickiest markets. Foreigners angling for contracts have to negotiate a maze of opaque regulations and tariffs, which often vary from state to state.

Thailand, on the other hand, is clear and open, making it, world". The Mitsubishi group has received an estimated Yen 30bn order for three steam turbines and generating equipment for Indonesia's Surabaya thermal power station, which will make a total of 24 steam turbines it has supplied to that country's electricity generat-

ing authority. Hitachi and Toshiba are

a policy that sits well with their company-wide strategies markets: as well as making electricity generating equip-ment, they also need electricity to set up consumer goods factories and to see their products being used in people's

Most developing countries want to develop their own equipment industries to a degree, so participating in their markets often means local joint ventures or co-operation at the technolo cal or manufacturing level rather than exporting completed products, according to

While India, Vietnam and the Asean nations are all attractive markets, China stands out with its vast population, double-digit economic growth and untapped natural resources. Hitachi says there are already plans there to add 15GW of new capacity annually. Two thirds of this will be in thermal plants, to take advantage of the country's abundant coal, and Hitachi announced last November a ioint venture. Beliing Hitachi Huasun Control System, to make and sell control systems

In January, it set up a joint venture with Harbin Electric Machinery Works to provide engineering services for electricity plants, mainly in hydroelectric power. It hopes this company will later beco base for supplying generating

Ronald Ayers

Centre of gravity goes east

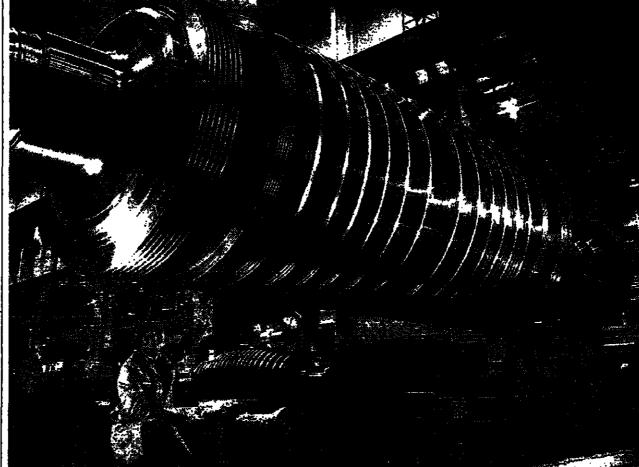
 Coutd from previous page and his comme last month by Mr Heinrich von Pierer chairman of Siemens. who said Western companies and countries should work together to help Russia improve safety standards at its nuclear power stations. On the technical side, the

major suppliers continue their quest for ever higher thermal efficiency from combined cycle power. Developments in the past year included the announcement by ABB of a new range of gas turbines for which it is claiming efficien-

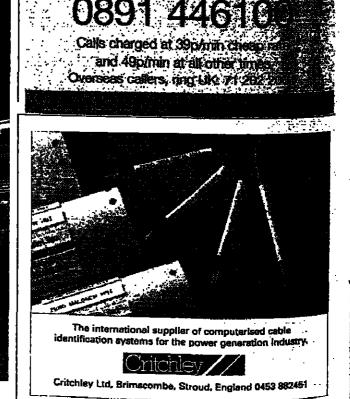
cies of 58-58.5 per cent in combined cycle. Thermal efficiency remains one of the key advantages of gas-fired combined cycle, and Dr Hans Böhm, a member of the executive management group at Siemens KWU, says the next step is to reach 60 per cent thermal efficiency in com-bined cycle. "It will not need

before such a machine is sold." he says. This month he says, Sie mens is due to begin testing in Berlin of a new gas turbine which will achieve 60 per cent thermal efficiency in combined cycle. Dr Böhm thinks the natural limit will occur some where between 60 and 62 per cent, because of the high research and development costs required even to raise temperatures by a small

more than two or three years



A GE craftsman at GE's manufacturing facility at Schenectudy, New York, checks the replacement rotor of a large steam turbine to be used at a ctady is the world's largest steam turbine and generator manufacturing plant



FT SURVEYS INFORMATION

POWER GENERATION EQUIPMENT 3

■ Profile: TOM GIBSON OF THE GIBSON GROUP

Slow boat to China that got there first

Tom Gibson likes to keep his Chinese customers and official contacts happy on their frequent visits to his company's headquarters in Glasgow. He puts them up in a company guesthouse with a Chinese

Doing business in China is all about building long-term relationships and establishing trust, says Mr Gibson, chair-man of Gibson Group. For the small but fast-growing power plant contractor, these relationships are vital - all its

business is in China. Mr Gibson worked for Bab-cock before setting up an engineering contracting busines Gibson Wells, in 1978. Four years later, the company was sold to Foster Wheeler, but not before it had won a contract to build the power station for the Daqing cilfield in Heilongjiang

In 1990, Mr Gibson bought the company back from Foster Wheeler for a nominal sum He had been working in the late 1980s for GEC selling power stations in China, and saw a "massive niche" building smaller power stations there that would not interest the big boys of the industry.

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Having completed one contract already, albeit some years previously, Mr Gibson had a head start in winning further business in China. Since 1990, his company has picked up three more power contracts, all for coal-fired chp plants: two 30MW stations, Wa Fang Dian and Che Re Gou at Dalian, and a £35m contract for a plant at Fushuu.

Much to Mr Gibson's surprise, he also won a contract last year from the Dalian Municipal Engineering Department to supply a traffic light system for the southern Chinese city. Gibson Group has no expertise in traffic lights, but Dalian wanted to work with the company, and Gibson Group is now working with GEC to fulfil the contract.

Already, the company has won some £70m of business running at 236m a year. Sign- Former Prime Minister

£65m for a 120MW coalfired CHP station at Dadong, Guangzi province, is near.

All this for a company with fewer than 50 employees and only six permanent staff in China, in two offices in Beijing. Mr Gibson has often considered increasing the Chinese representation, but says the nese want to work with a British company and have the opportunity to visit the UK.

Mr Gibson, meanwhile, has made around 40 trips to China building the long-term relationships that have brought success. "They trust us," he says. Patience, he makes clear, is a virtue when negotiating contracts - "nobody can make a decision, but everybody has a veto," says Mr Gibson. The process can take years, and it is always necessary to have ne talks continuing while



Officers surprise at the sudden es on Hong Kong democracy

ried out to maintain momentum. The company has already spent three years - and £600,000 - bidding for the Dadong contract.

But Mr Gibson quotes a saying that often proves to be the case when it seems that negotiations have become bogged down intractably: "In China, everything is impossible, but anything is possible." In other words, somehow, a way will be found round a problem.

Mr Gibson has also benefited from China and turnover is from good contacts at home.

he uphill campaign by independent power pro-ducers to establish a strategic foothold in the statedominated Asian electricity industry has received a sharp boost in the past year as a result of several private sector

projects. At the same time, overall energy growth in Asia will boom at 4 per cent per year over the next 20 years, says the International Atomic Energy Agency, more than double the growth in the west.

Edward Heath has helped the company, and Mr Gibson will

be accompanying Mr Richard

Needham, the trade minister,

on a visit to China in the

He has also struck up a good

relationship with the Depart-

ment of Trade and Industry

and the Export Credits Guar-

antee Department (ECGD).

While some exporters moan

about the help they receive,

Mr Gibson says he has

received strong support. The four recent Chinese contracts

were financed with aid from

the UK, while the forthcoming

job will be paid for with a "super-subsidised loan".

Mr Gibson is now position-

ing the company to participate

in much larger power station contracts in China, up to

about 350MW. The company is

working very closely with

Rolls-Royce on one contract

for which Gibson Group is

contributing its relationships

with the prospective Chinese

clients. But it needs to work

with Rolls-Royce and similar

companies to handle contracts

of such a size, says Mr Gibson.

smaller Chinese contracts are

being discussed, along with

three much larger build-oper-

ste-transfer (BOT) schemes

involving Mission Energy of the US and Rolls-Royce. Each

scheme would be worth about

£300m, says Mr Gibson, but it

will take another two years to

when it wasn't 10, 50 or 100

eggs in one basket.

For the future, a number of

Natural gas will be the fastest growing energy fuel in the region, providing a further spur to independent producers as gas-fired units can be built twice as fast as coal units.

The recently-negotiated projects underline the growing acceptance by national governments, notably in South Asia and Southeast Asia, of the need for greater public accountability and the reduction in electricity price subsidisation. These changes in perception are helping establish a more hospitable environment for independents to negotiate

In India, the US-Enron Power Development Group signed a 20-year power purchase agreement with the Maharashtra State Electricity Board, which will allow it to supply the first phase of a 2,015MW gas-fired (LNG) pow-ered plant and related facili-

The scale and nature of the project - costing more than \$2bn and using an imported fuel - makes the deal exceptional in a catalogue of some 70 Indian power projects seeking private sector partnerships. The first phase, now nearing construction start, calls for a 695MW unit costing \$930m, to be followed by a 1,320MW second phase. Equity partners with Enron are General Electric and Bechtel of the US.

get contracts signed.

Mr Gibson has been looking The build-own-operate projvery seriously at Vietnam, Malaysia, the Philippines and ect will recoup its costs from Indonesia, but has plenty to do the MSEB through the sale of in China even if he has all his power at 7.5 US cents per kilowatt hour. The deal followed He is not worried by the about 18 months of negotiations - not long by interna-UK and China over the future tional standards - and came of Hong Kong, although he says the row is "bloody annoyon the heels of a similar package of independent power deals involving British companies ing". Echoing a view typical of UK businessmen eyeing the National Power, British Gas Chinese market, he asks why democracy is suddenly so and Rolls-Royce, the largest of which is a 1,000MW coal-fired important now in Hong Kong power station at Visakhapatnam on the Andhra Pradesh

Andrew Baxter

Frank Gray reviews trends among Asia's utilities

Faint smell of gas

Japanese consortium's 1.200MW coal-fired Paiton power project on east Java. The deal is the first sizeable independent power deal in Indonesia and involves project leader Mission Energy of the US and partners General Electric of the US, Mitsui of Japan and PT Batu Hitam Perkasa of Indonesia. Construction will start early next year with full power from the project planned

for early 1998 The breakthrough in Asia's third-most populated country. after China and India, has sent power plant equipment suppliers and potential project sponsors scurrying to the archipel-

Enron, for example, recently submitted a feasibility study for a joint venture agreement for Indonesia's first large gasfired plant in East Java.

The 500MW integrated power project is aimed at taking dvantage of Jakarta's policy to bring gas-fired power gener-ation into Indonesia's mix of coal, oil and hydroelectric power generating stations. The restructuring of the industry is not limited to inde-

pendent power groups setting up alongside state utilities. There is also the overhaul and. in some cases, market flotation of the state groups themselves. The main reasons are to ensure the delivery of efficient electricity plant quickly and to

Energy growth in Asia is expected to boom at 4 per cent a year over the next 20 years

relieve the state of the onerous financial burden of build all plant under its own wing. Legislation was pas Pakistan in April to authorise the sale to the private sector of thermal power stations operated by the Water and Power coment Authority, Indon-

esia's PLN is also being pre-

pared for a minority flotation,

along the lines, two years ago,

by the Malaysian government of Tenaga Nasional Berhad. the state utility.

Thailand's Electricity Generating Authority is preparing to set up private sector subsidiaries and is hiving off some thermal power units to independent power operations. The Manila government is grooming the National Power Corp. for flotation and plans to allow power distributors to built their own power stations. Even Singapore's efficient Public Utilities Board has announced that its gas and electricity business will be commercial-

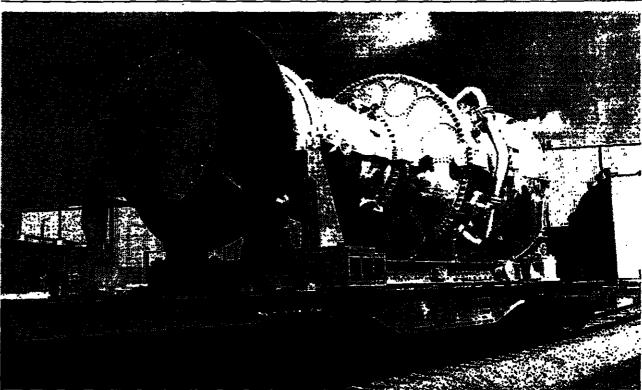
ised in about two years. It is doing so as it prepares the groundwork for the \$5bn 4,800MW Tuas oil-to-gas power complex, to be built by the end

of the century. In terms of equipment supply, the ascendancy of gas as important power station fuel is stimulating more interest in gas-fired projects, both by independents and the state utilities. Despite the move to privatisation, it is state utili ties which still provide the vast majority of orders, although this is diminishing

steadily. According to David Genever-Watling, chief executive of General Electric Industrial Power Systems of the US, the Asian power generation equipment market should account for 45 per cent of all power equipment orders in the 1990s. This meant 462,000MW of power equipment orders. Of this, 206,000MW would be for coal/steam turbines and 84,000MW for hydropower, emphasising the point that hydro and coal potential in Asia are available in enormous quantities, albeit not always in the right places.

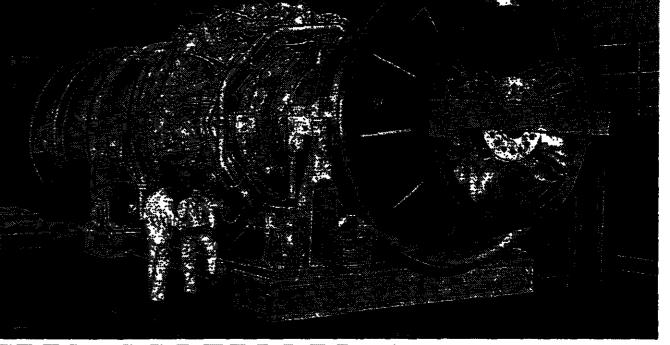
Significantly, gas, which scarcely figured in the equation a decade ago, is now looming larger, with a prediction of 82,000MW for combined-cycle and 37,000MW for gas turbines. GE's prediction also noted that nuclear equipment over the next 10 years would account for 50,000MW of orders, although this is concentrated mainly in Japan, Taiwan and

Korea. China is only now making its first foray into nuclear and Indonesia will not be a factor for a decade.



A MS7001FA gas turbine leaves GE's menufacturing facility at Greenville, S. Carolina, for Sithe Energies' 1,000MW power station at Oswego, New ers are also encouraged by the 1 York, which, on completion next January, will be the biggest cogeneration facility in the US owned and operated by an independent power produces

Applying technologies leads to great advances



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New ways of taking the heat

Thermal efficiency is a key factor in power generation equipment, and it has long been a barrier to further development of gas turbines.

The conventional way to improve the thermal efficiency of a gas turbine is to increase the heat of the gases coming through the combustion chamber. But the problem with that is that the greater the heat, the more durable the critical components, such as turbine blades, must be.

Manufacturers of both aero engine and industrial gas turhines have for a long time been straining against the endurance limits of metals and applying ever more sophisticated techniques to remove heat transmitted from the gas to the blades.

Through this approach, net thermal efficiency of gas tur-bines in combined cycle configurations has risen from the 40 per cent range in the early 1980s to the 55 per cent level today. However, manufacturers know there is not much further progress to be made through this route, not least because, as heat increases, so do nitrous oxide (NOx) emis-

pliers of industrial gas turbines that runs some distance behind market leader General Electric of the US, startled its competitors last September by announcing a new range of turbines based on a novel approach to the problem of raising thermal

The main innovation in the new GT series is the adoption of two combustors, instead of installed sequentially along the rotor and separated by a single-stage turbine. The idea is that more power can be generated for each increment

Turbine manufacturers have long been straining against the endurance

An initial burst of power is generated in the single-stage turbine by the expanding gases coming out of the first combustor and then further power is erated in the normal multistage turbine following the second combustor. The concept has long been used in steam

Zurich based ABB said the

first versions of its new GT series turbines would achieve gross thermal efficiencies of 58 per cent to 58.5 per cent, roughly two per cent higher than any other machine in the market. This improvement could give a combined cycle

limits of metals

user more than 15 years savings with a present value of \$40m, ABB claimed. Ironically, ABB first pro-

duced a dual combustor gas turbine in the 1950s, but with silo type combustors over the top of the turbine. They were well suited for dealing with dif-ficult fuel combinations, but not particularly efficient. One problem with them was that the fuel did not spread evenly as it changed direction to move into the turbine, and so left a

high volume of emissions. To solve this problem, ABB developed a more efficient. multi-nozzle burner in the late 1980s, which it claimed would reduce NOx emissions from 60 parts per million to 25ppm. At the same time, it was developing an anular combus-

tor system similar to those used in aero-engines. The idea is to wrap the combustor nozzles around the turbine so that the fuel flows evenly - and inline rather than perpendicu-

stream, contributing to better performance as well as fewer ABB installed its first anular

combustor in a peaking power turbine built by Kawasaki Heavy Industries of Japan under licence for Tokyo Electric Power last year. It is a 164MW 50-cycle (hz) installation, and the design was approved for general use in Japan by the Ministry of International Trade and Industry (MITI) at the beginning of this

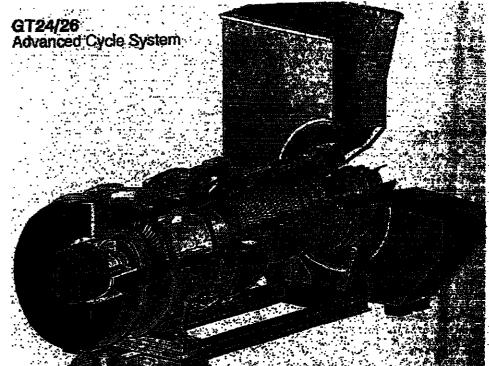
From there, it was a relatively small step to think of putting anular combustors into a sequential combustion configuration. One potential complication was that the whole machine would have to be lengthened to accommodate the extra turbine and combustor, possibly creating a need for a third bearing and perhaps a second rotor. But ABB found that its rotor, made of welded discs. was strong enough to support the additional load spended between two bear-

ings at each end. The company is offering two GT models. The GT24 for 60 cycle power systems is to proachieve gross efficiency of 58 per cent in combined cycle applications. The GT26 for 50 cycle applications, will produce 240MW of power and achieve 58.5 per cent efficiency.

The claimed \$40m cost saving from these systems was based on a 15 year period, with 20 per cent equity financing. an average nine per cent interest rate and a fuel cost of \$5 per million Btu. "The saving would be greater if the fuel price goes higher," says Fritz Gautschi, senior vice president and general manager of ABB's turbine division.

ABB announced an initial \$50m order for the GT24 from Jersey Central Power and Light in New Jersey, USA, which will initially be a single cycle peaking power application. It is to be delivered at the end of this year and upgraded to combined cycle by Septem-

The group has been very pleased with the reaction to its new approach. "There has been enormous interest from cuscomers and from engineering consultants, and a total absence of mudslinging from our competitors," Mr Gautschi



ABB's advanced cycle idea: an artist's rendering of a gas turbine thermal block featuring the sex

petitors are uncritical. Mr Rodger Bricknell, vice-president, marketing and product man-agement of GE industrial and power systems, suspects the claimed efficiency gains will be less than advertised once the gross figures are boiled down to net figures.

ABB concedes that GE's best performing F series turbine at

Seoinchon in Korea achieves net efficiency of 55.3 per cent, only 1.4 points less than the planned level of the GT24. But the average of the eight tur-bines installed at Seoinchon is over two points lower, ABB

Bricknell also wonders if the GT24 is going to operate at a significantly lower temperature than the 2,350F of the F "slightly below". Bricknell says GE believes

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there were ways other than ieving significant thermal efficiency gains, "but we are not in the habit of giving the competition something to shoot

Unrest fails to dent Russia's attractions, reports Andrew Baxter

Partners see growth potential

Undeterred by the political upheaval in Russia over the past 12 months, western power equipment suppliers have been forming a number of joint ventures to ensure they are positioned to exploit the country's long-term growth potential.

Leaving aside the controversial issue of where the financing will come from to fund the virtual rebuilding of the Russtan power sector, there is general agreement among suppliers on what needs to be done. First, the oldest Chernobyl-

type nuclear power stations have to be closed down, and the newer reactors should be modernised. Secondly, new power stations have to be built quickly to replace the older nuclear stations - and for a country with the world's largest gas supplies that suggests quick-to-build gas-fired combined cycle plants.

fired stations in Russia need to be repowered to make them more efficient - ending the wastefulness that has developed because supplies of gas are so plentiful.

The joint ventures are aimed at addressing one or more of these needs but are also ed to recognise that, as Mr Fritz Gautschi, a senior executive in ABB's power generation business, puts it, "Russian potential clients have littie or no hard currency". This high-value added machinery has to be built in Russia Mr Gautschi sits on the

board of two joint ventures which ABB has announced in the past few months in Russia. In September, the Swiss-Swedish group formed a joint venture with Saturn, a Russian company that produces aeroengines and other high-tech equipment. The venture, ABB Uniturbo, will supply power generation components and was thus a precursor of a second, bigger deal announced by

In this deal, ARB teamed up with Nevsky Zavod, a big manufacturer of gas and steam turbines, to create St Petersburg-

New capacity must be built quickly to replace the Chemobyl-type plants which need to be shut

based ABB Nevsky, which will make the latest ARB designs of turbines, power plants and

The two ventures have begun with a total workforce of 1,800, and will work together, with Uniturbo supplying parts to Nevsky. Thus ABB is developing a network of interdependent plants which is analogous to the system operating across much of the modern western equipment industry.

One of the challenges, how ever, is to develop the similarithe supplier base for the facto-

ries. Suppliers of strategic materials, which after the break-up of the Soviet Union may not even be in Russia, are having to be educated about supplier-customer relationufacture four additional gas ships, says Mr Gautschi. turbines for the St Petersburg Within the factories, though, ABB is on schedule with such things as introducing its proses and methods, reorganis-

employees. The aim, says Mr Gautschi, is to train local people as quickly as possible. Much as in the few other western companies with manufacturing joint ventures in KTZ, Russia's largest manu-Russia, the general manager facturer of industrial turbines. of the ventures is Russian in the production and marketing of industrial steam turwhile his deputy is a non-Russian. ABB has also brought in

lers and engineering experts. Mr Gautschi will not say the ventures, but says it is a significant sum if all the investment in training, and management time, is included.

outsiders as financial control-

ing layouts, and training

He stresses, though, that the investment is not done out of charity. Depending on how the first year works out, ABB is looking for the ventures to start producing a positive payback after about two years.

The ABB ventures are hoping to clinch their first orders in the next few weeks, but has already delivered equip-ment from Interturbo, its St Petersburg-based venture with

Last month, Interturbo com pleted its second 150MW gas turbine, which like the first will be incorporated by Siemens into world market projects. Interturbo will also man-

Northwest combined-cycle cogeneration power station and a further four units for the Aktyubinsk IPP combinedcycle plant in Kazakhstan. Last year, Siemens also announced two further powerrelated ventures in Russia. In August, it said it would co-operate with Kaluga-based

bines and power plants. Three months later, Siemens announced it was establishing a Moscow-based joint venture, engineering, sales and market-ing of Siemens instrumentation and control equipment for fossil-fuelled power plants. Siemens sees the venture as a milestone towards playing an active role, as a partner in the Russian power supply industry, in the modernisation of

the country's power plants. If the European suppliers have more solid evidence of activity from their joint ventures, their US rivals have also been active or are at least hop-

ing to be so. Westinghouse last month announced two power-related



business agreements which will significantly increase its

presence in Russia. An agreement signed with Minatom, the Russian Ministry for Atomic Energy, will able Westinghouse to begin establishing partnerships that will concentrate on modernisation and safety enhancement of operating nuclear power plants, and on completing plants that are under construction by applying current

safety technology.

As part of the deal, there will also be a joint venture for the design and manufacture of instrumentation and control systems and another that will provide nuclear fuel cycle ser-

vices worldwide. In a second agreement with RAO Rossi, the world's largest utility, the US company will become involved in projects to improve power plant efficiency and reduce emissions.

The two organisations will jointly pursue opportunities to modernise existing turbine generation, repower older sta-tions with state-of-the art equipment, and develop new

power projects. The companies will do engineering jointly, but will also have co-manufacturing initiatives with other eading Russian companies.

General Electric, meanwhile, does not yet have any direct power-related joint ventures in Russia, although it was a signatory to a deal in 1991 between Anglo-French GEC Alsthom, with which it has technology links, and the St Petersburg-based Kirov Works. The venture is producing 25MW gas turbines for

gas-pumping applications

But Mr Ronald Pressman. chief executive of GE Power Systems Europe, says Russia is "pretty fertile ground for part-nerships". GR views itself both as a supplier of gas turbines to Russia and as a potential partner with a Russian steam turbine manufacturer to serve the

combined cycle market. In time, GE wants to become a local player in Russia, he says, and would prefer to develop more of a "greenfield" partnership with a smaller company rather than with an existing large organisation.

Over time, there's just one answer.

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tion and maintenance services. And finally, one company with both the commitment to technology leadership and the R&D resources to back it up.

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SIEME

POWER GENERATION EQUIPMENT 5

■he United Arab <u>Emir</u>ates, in common with many Gulf states, is affected by the continuing low oil revenues. So for the past few months there has been talk of privatisation and the introduction of independent power

Privatisation, it is argued, would release funds for other projects, cut bureaucracy and speed decision-making.

The opposing arguments are practical and emotional. They include the difficulties of private sector involvement in a complex power-producing system and a previously unchallenged policy of cheap electricity for the people.

But now things are chang-

ing. An official announcement that the government is to finance a study on the privatisation of public utilities came on the heels of the federal Ministry of Electricity & Water's (MEW) hint that it will phase out subsidies.

Tariffs have remained unchanged since federation in 1971, with no regard to power costs or inflation. Electricity prices will now begin to be raised - initially from two US cents to a still very low three cents a unit.

Close attention has been paid to what the neighbours are doing. British Gas in Bahrain and international group UPGI in Oman are already building gas turbine plants. In Qatar the government has set up a private company which will eventually run all its

power stations. ing in Dubai that private sector companies are ready to construct power plants on the build-operate-transfer (BOT) and build-own operate (BOO) systems, so popular in the Far

It is not surprising that Dubai - the long-established trading centre of the region should be the prime mover on privatisation since it has four separate power and water

The UAE was formed by the federation of seven emirates – Abu Dhabi, Dubai, Sharjah, Fujeirah, Ajman, Ras Al Khaimah and Umm Al Qwain. Before federation each emirate had its own utility and it was assumed that the newly set-up MEW would take responsibility

for the whole country. It never came about. The three large emirates of Abu Dhabi, Dubai and Sharjah still run their own electricity organisations while MEW



Pat Kimber studies electricity reform in the UAE

Privates on parade

emirates which have comparatively little income and very scattered populations.

MEW's budget this year

around \$100m, according to minister Humaid bin Nasser Al Owais. This will provide another 150 megawatts in the northern emirates which the federal ministry administrates.

MEW is headquartered in the federal capital, the city of Abu Dhabi, under minister Al Owais. The deputy minister, Saaed Majid Al Shamsi, works mainly from Dubai. "MEW is politically responsible for electricity and water," he said.

'We represent the UAE internationally - for instance on negotiations for the proposed Gulf grid project. We also cooperate with the elec-tricity companies in the three large emirates - especially on tariffs which are highly subsidised throughout the country. Of the UAE's entire total

installed capacity of 5,500MW, ome 900MW is controlled by MEW and is mostly gas turhines with 130MW from diesel generating sets in the more remote areas. It is also responsible for a 132 kilovolt transmission network which is being upgraded by UK consultants Ewbank Preece.

Power in Abu Dhabi emirate (including the city) is looked after by its own Water and Electricity Department (WED). The WED is now in the process of adding some 1,000MW to its present generating capacity of

looks after the four smaller 2,440MW. By far the largest slice of this will come from the \$1.8bn 732MW Al Taweelah B power and desalination plant an extension to the original 253MW Al Taweelah A commis-

sioned in 1985. Al Taweelah B is being built by a consortium headed by Asea Brown Boyeri, the Swed ish-Swiss multinational, and including ABB Kraftwerke of

Tariffs have remained unchanged since the UAE was formed in 1971

Mannheim, SAE Sadelmi of Italy and Six Construct of Belgium. Tractebel of Belgium is the consulting engineer for the project which will be the world's largest power and desalination station when it comes on stream in 1996. There is certain to be yet another extension and ABB looks to be a frontrunner for this contract when it is announced.

Other WED power projects under construction include Medina Zaved (60MW), the 200MW Abu Dhabi main power station extension and 100MW

A 200MW gas turbine station with desalination plant is also being built in Mifra by a consortium led by Ansaldo Energia with gas turbines by Siemens. Deutsche Babcock of Germany has a \$74m contract to undertake power station maintenance and refurbishment work. WED has commissioned UK consultants Kennedy & Donkin (recently merged with the US Rust organisation) to study existing transmission networks and make recommen

two new 220ky links and the enhancement of an existing 220kv overhead line system. Proposals to build a load des patch centre to monitor all the water and electricity flows in Abu Dhabi emirate have finally been accepted by WED.

The \$90m contract has been

dations for future demand

Ewbank Preece is overseeing

awarded to ABB. Electricité de France (EdF) is consultant for the project which will involve a regional centre in Al Ain. Power Measurement of Australia is supplying instruments to monitor the grid system.

Sharjah is in a construction boom reminiscent of Abu Dhabi and Dubai in the late 1970s and early 1980s. The Sharjah Electricity and Water Department (SEWD) currently produces some 700MW, nearly all from its Layyah station in Sharjah town. Two General Electric Frame 9E gas turbine units and additional desalination plant are now being

This will help to meet the high summer peak when the 24-hour air conditioning demand often overwhelms the emirate's ability to cope with a rapidly increasing population attracted by the rapid building

Distribution remains a problem on a network which started life supplying power to the long-departed British forces base and airfield. A new link is to be built from the Sajaa gas field to Layyah and further major power line installations are planned.

Dubai has seen a phenome nal growth in its power supply since the first lights were switched on in 1961. The recently set-up Dubai Klectricity & Water Authority (DEWA) has grown out of the Dubai Electricity Company which dates back to 1959.

Capacity was then just 1.4MW from privately owned generators. Now it is nearly 2,000MW and increasing, as more plants come on stream this year. In March, the 457MW Jebel Ali G power and desali-nation station built by a Siemens-led consortium was fully

Jebel Ali E is undergoing a \$81m conversion to combined cycle by a consortium led by ABB Kraftwerke. Kennedy & Donkin is consultant for the project which includes ABB SAE Sadelmi for civil works and boiler supply by Combustion Engineering (Italiana).

The extension will add two waste heat recovery boilers to the GE Frame 9E gas turbines installed in 1992. The muchtalked-about Jebel Ali H is almost certain to appear in DEWA's plans before the year is out.

Dubai's primary 132kv transmission system voltage has been reinforced by a 400kv network utilising the latest technology.

The construction work was undertaken by the National Thermal Power Company of India (NTPC) which has recently opened an office in Dubai to supervise its increased workload in the

Last year, DEWA was frequently in danger of having to cut power supply. This would have been a severe blow for the extremely efficient utility and for the people of Dubai who enjoy a highly-sophisticated lifestyle.

Kennedy & Donkin is advising DEWA on upgrading its control and management systems but the possibility of hlack-outs has forced power engineers into thinking that yet another large station, either combined cycle or steam turbines, must be sanctioned. It could be the UAE's first IPP. □ Pat Kimber is editor of Middle East Electricity

End of debt crisis offers hope, says Stephen Fidler

Latin America starts to turn on the lights again

By any measure, Latin America's need for new power generating capacity is huge. The World Bank expectsdemand of \$24bn a year for power projects in the region in coming years.

There is no doubting the need: the debt crisis brought new spending on power projects almost to a halt across the region. The big electricity deficit that developed has led to widespread power cuts in many countries. In some, such as Colombia and Honduras, it has had a palpable effect in slowing economic growth in recent years.

The debt crisis brought about another development: budget stringency led many governments to shed responsi bilities, to privatise and to encourage privately-finance projects in areas previously in the government domain.

Yet handing over more responsibility to the private sector has raised questions about how growth in generating capacity will be financed, particularly since the big project financiers for governments the World Bank and the InterAmerican Development Bank - are unable, or have limited ability, to lend direct

to the private sector. The reaccommodation of Latin America in the world's to ease the way, although many international banks remain inhibited from lending for a variety of reasons. Only Chile - the pioneer in develop-ing private electricity generating capacity in Latin America has developed its local capital markets sufficiently not to

depend on foreign finance. Bankers agree that the necessary, if not sufficient, condition for private finance is the establishment of a regulatory regime that lenders feel they will be able to trust over a lang period of time.

The pricing of electricity is of buge political significance and governments are often tempted to keep prices down to preserve their popularity. A study by the Latin American Energy Organisation (OLADE)

showed that in 1990 only five Latin American governments were charging prices at or above long-term marginal cost. "This is changing quite rapidly," said Mr Vijay Chaudhry, head of the power division of the International Finance Corporation's infrastructure department. Now more and more governments are introducing realistic pric-

ing policies that send the right signals to investors. Not everywhere, however. In Brazil, where government bringing in private generating capacity, the local price of electricity is under 5 US cents

Power cuts are widespread and economic growth has slowed

per kilowatt/hour. "You can't build world scale generating capacity at that price and and make money," said Mr J. Scott Swensen, senior portfolio man-ager at Scudder Latin American Trust for Independent Power. This trust, which has investment of \$100m, was launched with the idea of generating some \$500m from institutional investors.

In Mexico, where the government has ostensibly allowed independently-financed power generation, the state electricity company has made life difficult for would-be private-sector investors.

Mr Swensen says many investors are comfortable with Mexico and there is a big scope for large-scale investment in power generation there. There have been some recent signs of progress on the long-delayed 700MW Samalayuca II plant near the US border in the state of Chihuahua, south of El Paso, Texas. This envisaged a 20-vear build. lease and transfer agreement. with plant to be owned by a

consortium led by GE. Mr George Aguilera, general manager of GE Power Systems.Mexico, told a conference in January that he expected Mexico to add 18 gigawatts

to its generating capacity over the next decade, with ste turbines accounting for nearly

55 per cent of orders. New generation orders in Brazil were expected to reach 22GW Argentina 11GW, Colombia 4.5GW and Venezuela nearly 10GW. He predicted that gas turbines would account for 45 per cent of the generation mix, with steam turbines steady at a little over 25 per cent and hydro installations a little under 30 per cent.

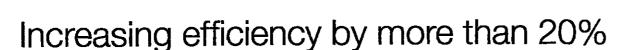
Some, of these figures might seem too high. When generating capacity already under construction comes on stream in Argentina, for example, some observers think the country may even have an electricity surplus. Private refurbishing of existing plant has already generated impor-tant gains in capacity. With heavy rains helping hydroelectricity generation this year, prices fell to 4 US cents per kilowatt-hour.

But it is not only in the large economies that private generating capacity is coming Amoco and Southern Electric International, have just won a bld in Trinidad & Tobago to expand generation to the installed 1,100MW capacity.

And even in countries where the overall pricing regime is not particularly investorfriendly, a growing number of stand-alone private projects aimed at generating electricity for a group of users is emerging. This seems particularly workable where the potential users have a foreign exchange generating capacity - it has been used in the Dominican Republic to provide power for a group of hotels.

Overall, manufacturers of power generation equipment are enthusiastic about the prospects. Mr Aguilera of GE commented: "Latin America and the Caribbean, when combined with the US and Canadian markets, make a potential trading bloc that could surpass the European common market, and more than hold its own against the emerging mega-market of Asia."

SIEMENS





Blading of a gas turbine



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Grimy name to live down

nology.

Diesel engines, the workhorses of everything from vans and buses to ships and small-scale power generation, are not normally associated with generating power on a large scale.

This is perhaps not surprising given the fast growth of gas turbine combined cycle power generation over the past decade. Most statistics on thermal power generation tend not to give diesel a separate category of its own, yet according to Diesel and Gas Turbines Warldwide new orders for diesel, dual fuel and gas-engine power plants grew to a record 7,000MW last year, about 12 per cent of the annual global

Quietly, diesel engine pro-ducers are working to address the common perception of diesel power as dirtier than rival methods of generation, and invest heavily in producing equipment that can be used for reliable, baseload power gener-

Mr Pentti-Juhani Hintikka, Finnish president and chief executive officer of Strasbourgbased Wartsila Diesel Group, is naturally enthusiastic about prospects for an industry of which his company is the leader - it claims a 20 per cent share of the diesel power plant market and has the broadest

product range. Mr Hintikka believes diesel could in time lift its share of the power plant market as a whole to 25-30 per cent, depending on how the industry develops, and says that already over the past five years it has

cut down the lead of gas tur- India. But in the mid-1980s, recbines over diesel engines from eight-to-one to four-to-one in terms of total power capacity.

The type of engine and of customer is very varied. Wartsila delivered 1,400MW of power plant installations last year, with half going to southeast and east Asia. China emerged as an important customer - Wartsila's Dutch subsidiary won a contract for a 110MW power plant in Guandong province, while its Finnish company is supplying 13 diesel generator sets to the Pan Yu plant, also in Guandong and due to be completed by the end of the year. Short lead times were an important a factor in wiming the business. Several larger heavy fuel-

Diesel and dual fuel plants last year grew to 12 per cent of the annual global power market

burning diesel plant deliveries were completed to independent

power developers and the mining industry in Central and South America, containerised plants were delivered and commissioned in Russia, while in Europe orders were received for combined heat and power-

type gas engine installations. The bread-and-butter business for the diesel engine industry has for years been the heavy fuel oil-burning engine, with which Wartsila, for example, has had great success in

ognising that gas was becoming the fuel of choice for power generation, the company began a major effort to develop a gasburning diesel engine, and now claims to be industry leader in gas and gas-diesel engine tech-

There are two types of engines that burn gas. First, there is the gas-diesel engine, which Wartsila pioneered in 1987. The important advantage of these engines over every other type of prime mover is that they can run on any type of fuel from heavy fuel oil to natural gas, and with computer control can be switched from one fuel to another without any interruption in opera-

This flexibility, says Mr Hintikka, was a major argument used by Wartsila to clinch an order in the Philipinnes last year. The second basic type of gas engines uses so-called "lean burn" technology, with spark ignition and a lean air-to-gas mixture that raises thermal efficiency and gives very low NOx emissions. The con-cept is ideal for smaller power plants in the 400 to 3,000kW

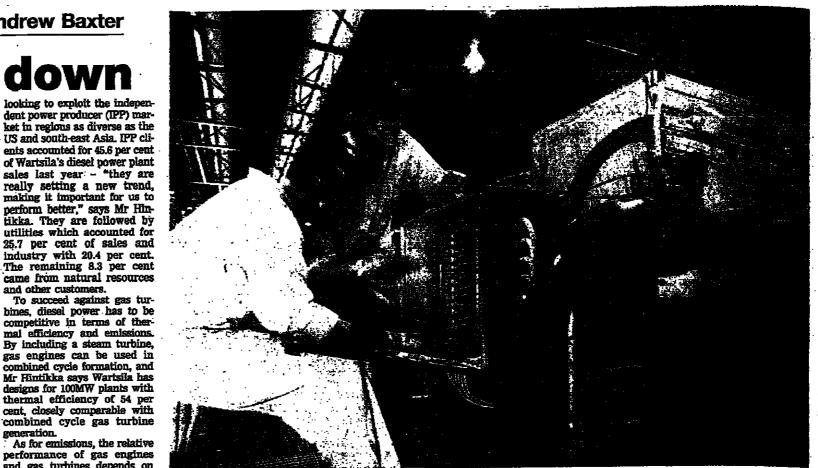
range savs Wartsila Mr Hintikka has a twin strategy for increasing the use of diesel power. In developing countries, the aim is to offer a reasonable price and fast construction times, but Wartsila also wants to be a player in the industrialised world, where high efficiency, reliability and low emissions are the priority. In particular, Mr Hintikka is

looking to exploit the independent power producer (IPP) market in regions as diverse as the US and south-east Asia. IPP clients accounted for 45.6 per cent of Wartsila's diesel power plant sales last year - "they are really setting a new trend, making it important for us to perform better," says Mr Hintikka. They are followed by utilities which accounted for 25.7 per cent of sales and industry with 20.4 per cent. The remaining 8.3 per cent

and other customers. To succeed against gas turbines, diesel power has to be competitive in terms of thermal efficiency and emissions. By including a steam turbine, gas engines can be used in combined cycle formation, and Mr Hintikka says Wartsila has designs for 100MW plants with thermal efficiency of 54 per cent, closely comparable with combined cycle gas turbine

generation.
As for emissions, the relative performance of gas engines and gas turbines depends on how they are measured. The diesel engine industry prefers to measure emission levels in terms of grams per kilowatthour, under which diesel engines come out cleaner, but gas turbines emerge on top if emissions are measured on parts per million (volume-

based). There are size constraints on diesel power, Mr Hintikka admits. Ten engines is probably the maximum practical number in each plant, and at



Part of a growing trend: a Wartsila diesel-fired generator ordered for a plant in the Philippines

16MW apiece plus a steam turbine total power output of 200MW is possible. Beyond that size, the efficiency of gas turbines improves, further loading the odds in their favour.

Even with this limitation, though, Mr Hintikka believes there are plenty of opportunities for diesel power. The traditional heavy fuel oil market will remain, but the real growth will be in gas engines

in both the industrialised and developing countries.

The key technological challenge, he says, is to keep improving thermal efficiency while keeping emissions under control, involving continuing heavy spending on research elopment.

At the same time, as lead times are so important to winning orders Wartsila Diesel is engaged in much the same

through a combination of kind of continuous cost reduction and manufacturing reorinvestment in new machinery ganisation as has taken place among the gas turbine producers, against whose performance it measures itself. An example are the changes at the Wartsila SACM Diesel

plant at Mulhouse, where employment has fallen from 1.000 in 1989 to 750 now. Productivity has risen as lead

and simplifying and shortening the route taken by engines as they progress through the plant towards completion. Mr Matti Tulkki, president and chief executive of the French unit, quotes reductions in internal lead times from seven months to 1.5 months, or from 11 months to five months for

-agu.

Andrew Baxter on the persistent dream of winning cheap electricity from chemical fuel cells he race to achieve ever higher thermal efficiencies from combined-cycle gas turbine power stations may be the most crucial in the short term for the

ignored. One of the most interesting involves solid oxide fuel cells. Both Siemens and Westinghouse are involved — separately in developing this technology.

big equipment suppliers, but other "next generation" technologies are not being

The direct conversion of chemical energy into electrical energy in a simple hydrogen/oxygen-based fuel cell was achieved in 1839 by Sir William Grove in London. Fuel cells with liquid electrolytes have been used in space travel but terrestrial applications have remained limited to specialised uses in military and tele-

However, according to Siemens, with

It started in London back in 1839

advances in knowledge, and especially in the "forgotten" electrochemical conversion of energy can equal or perhaps even surpass today's successful energy technology under current ecological boundary conditions.

There are various types of fuel cells, depending on the type of electrolyte used, and two broad classifications, low-temperature and high-temperature.

Among low-temperature cells, Siemens has been developing the polymer electro-lyte membrane (PEM) type since 1982. These run on very pure gases, are easily transportable, and are available up to 200-300KW. But their cost means they are likely to be used only in specialist applications.

A second low-temperature type with phosphoric acid electrolytes is also available in 200KW units, which can be used in combination up to 1MW, says Siemens. Their thermal efficiency in combined heat and power applications can be as high as 90 per cent, but the cost per kilowatt produced is high.

Interest is now focused on the high-tem-

solid oxide fuel cells which operate between 950 and 1,000degC and have sophisticated ceramic electrolytes.

The technology is more difficult but there are hig advantages," says Dr Hans Böhm, a senior executive at Siemens' KWU power generation unit.

The hot exhaust gas from the cell could be used in conjunction with a gas and steam turbine combined cycle, giving a relatively high electrical efficiency of about 68 per cent for a 40MW plant. Other combinations, for example an industrial

perature type of fuel cell, and particularly CHP plant, could attain a total fuel effi-

The cells are still very small scale even a 1KW version will not be available for a few months, says Dr Böhm - and stacks of 300-500KW will be needed for even modest commercial or industrial power generation. Achieving that will

take several years. Westinghouse, meanwhile, announced a two-year contract valued at \$7.3m for a programme to develop and demonstrate solid oxide fuel power systems for the NASA Lewis Research

Centre. The multi-phase programme will focus on developing transportable solid oxide fuel cells to produce electricity for military applications. The cells will use hydrogen-based fuels such as jet fuel and diesel fuel to produce direct current power with very low emissions.

The programme will culminate with the demonstration of a fuel cell with peak output of more than 30KW. It will also produce conceptual designs which will lead to both commercial and military applications of solid oxide fuel cell tech-

Mr Frank Bakos, vice president and general manager of the Westinghouse power generation business unit, says: "This technology's high efficiency and very low emissions will make it an important power generation resource in the



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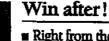
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WORLD FOREST PRODUCTS

Tuesday May 17 1994

cartoon passed around the offices of the Swedish Pulp and Paper Association aptly captures the mood of the world's forest-products industry: "We're depressed, frus-trated, alienated, disillusioned," the caption reads, "but we've adapted to the

This sense of discomfort mingled with accomplishment is the culmination of the gruelling ordeal which timber, pulp and paper producers have endured for the past

Already reeling from weak markets and heavy losses, the industry has been frogmarched into unfamiliar surroundings, where it has had to re-examine the entire spectrum of its business, from the way trees are cut to the future of paper in the

The challenge has been compounded by the fact that the industry, long a bastion of conservatism, has had little control over the pace of change. The marching orders have come largely from outsiders; including authorizers politically the control over the pace of change. ing customers, politicians, bankers and not least - environmentalists.

An unexpectedly strong rebound in pulp and paper prices since late 1993 has raised hopes that the worst is over. Most compa-nies around the world, with the notable exception of Japan, are likely to return to

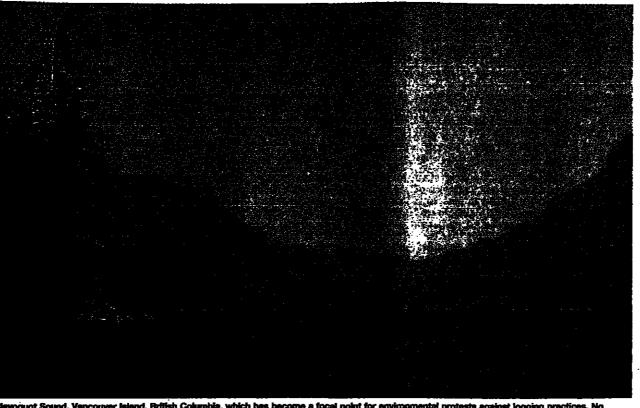
profit this year.

The prospect of better times ahead has also enabled debt-burdened producers to repair their balance sheets, either by selling assets or raising new equity. Canadian forest-products companies have floated four of the 10 biggest initial public offerings on the Toronto stock exchange in the past 18 months. The Swedish government launched its biggest-ever privatisation ear-lier this year by selling 49 per cent of its stake in AssiDomän

It would be wrong to conclude, however, that the road ahead is all downhill. Welcome as the recovery in prices may be, it will not deflect powerful, longer-term forces which are shifting the industry's centre of gravity away from traditional products, operating methods, investment patterns and corporate structures.

At one end of the production chain, forests have become the industry's main environmental battleground. "I have a feeling it's the thing we'll be dealing with for the next five to 10 years," says Pertti Laine, director of industrial and environmental policy at the Finnish Forest Indus-tries Federation in Helsinki.

Calls for the preservation of old trees in British Columbia, spotted owls in Oregon, and tropical rain-forests in Brazil and Indonesia have shrunk the area available for logging, especially in North America. Environmentalists have also pressed for more ecologically-sensitive forestry prac-tices, backing up their demands with tices, backing up their demands with esia involving Enso-Gutzeit, the Finnish threats of consumer boycotts and civil disgroup. Enso has insisted that all wood



Clayoquot Sound, Vancouver Island, British Columbia, which has become a focal point for environmental protests against logging practices. No

Back on course after a gruelling ordeal

The industry has been frog-marched into unfamiliar territory, where it has had to re-examine the entire spectrum of its business practices, writes Bernard Simon

obedience campaigns.

The forestry companies have adjusted their logging practices by shrinking the size of unsightly clear-cuts and leaving trees standing along lakes and rivers. United Paper Mills of Finland two years ago stopped buying old-growth timber for its pulp mills. It has gone so far as to replace the mineral oil in its tree-felling machines with biodegradable vegetable

Such changes have pushed up costs, forcing companies to examine the efficiency of their entire forestry operations. But farsighted members of the industry have come to appreciate that environmental pressures also create opportunities.

One example is a joint venture in Indon-

supplies for a proposed new pulp mill in East Kalimantan must come from plantations, and not from the rain forest. As a result, Enso's contribution to the project will include reafforestation of vast tracts

Pulp and paper mills have also under-gone radical changes. Toxic emissions have dwindled as chlorine gas has been steadily replaced by other, less harmful bleaching agents such as chlorine dioxide, hydrogen peroxide and enzymes.

Mill owners boast that fish are starting to return to once-polluted rivers. Effluent from mills in some Scandinavian towns is now diverted to heat nearby offices, and waste material is used to generate electric-

Perhaps the industry's biggest upheaval has come from the drive to recycle an ever-growing proportion of waste paper. Recycled materials now make up more than 40 per cent of the raw material con-sumed by paper mills worldwide. While global paper production has edged up by only about 1 per cent a year in the early 1990s, consumption of recycled paper has

A law due to take effect in Germany in mid-1995 will break new ground by requiring at least 80 per cent of used packaging paper and board to be collected, and 80 per cent of that to be recy-

The pressures on the forestry industry have reverberated all the way to retail stores and construction sites. Cut-price warehouse outlets, mainly in North America, are demanding that wood suppliers

make their do it-yourself products more "consumer friendly", for instance, by pack-aging components in kits.

Efforts to broaden the use of wood as a building material have led to the growth of engineered wood products, with a strength and consistency which matches

steel, concrete and aluminium. This top-to-toe shake-up in the way for-estry companies do business has accompa-nied a structural transformation comparable to the upheavals in the global steel, textile and shipbuilding industries in the

1960s and 1970s. Production of commodity-grade items, such as market pulp and newsprint, is gradually migrating to parts of the world - such as Brazil, Indonesia and Chile where trees grow fastest, costs are still relatively low, and environmental standards are less exacting.

At the same time, growing demand for recyclable waste paper is shifting production capacity from thinly-populated Can-ada, Sweden and Finland to the "urban forests" of the US and central Europe.

The biggest investments currently under way by Swedish and Finnish companies way by Swedish and Finnish companies are recycled newsprint mills being built, respectively, by SCA at Aylesford, UK, and by Enso-Gutzeit near Leipzig, Germany. Among Canadian producers, MacMillan Bloedel and Fletcher Challenge Canada have drawn up plans for similar mills in California and Arizona.

The three northern countries are mov ing towards more specialised products which still require a relatively high proportion of virgin fibre. Trees take from 80 to 110 years to grow in Canada, Sweden and Finland, but they produce wood of unusually high quality.

Finland has become a leader in fine writing and printing papers, while Sweden's emerging strength is in high-grade packaging materials. Many Canadian west coast lumber mills have shifted from churning out basic planks to more sophisticated building materials, such as decorative pan-

Weak prices and heavy debt burdens have also forced individual companies to narrow their sights, mainly by selling assets. Abitibi-Price, of Toronto, has decided to stick to newsprint and uncoated groundwood papers. Conversely, Georgia-Pacific, the second-biggest North Ameri-can group, has withdrawn entirely from newsprint.

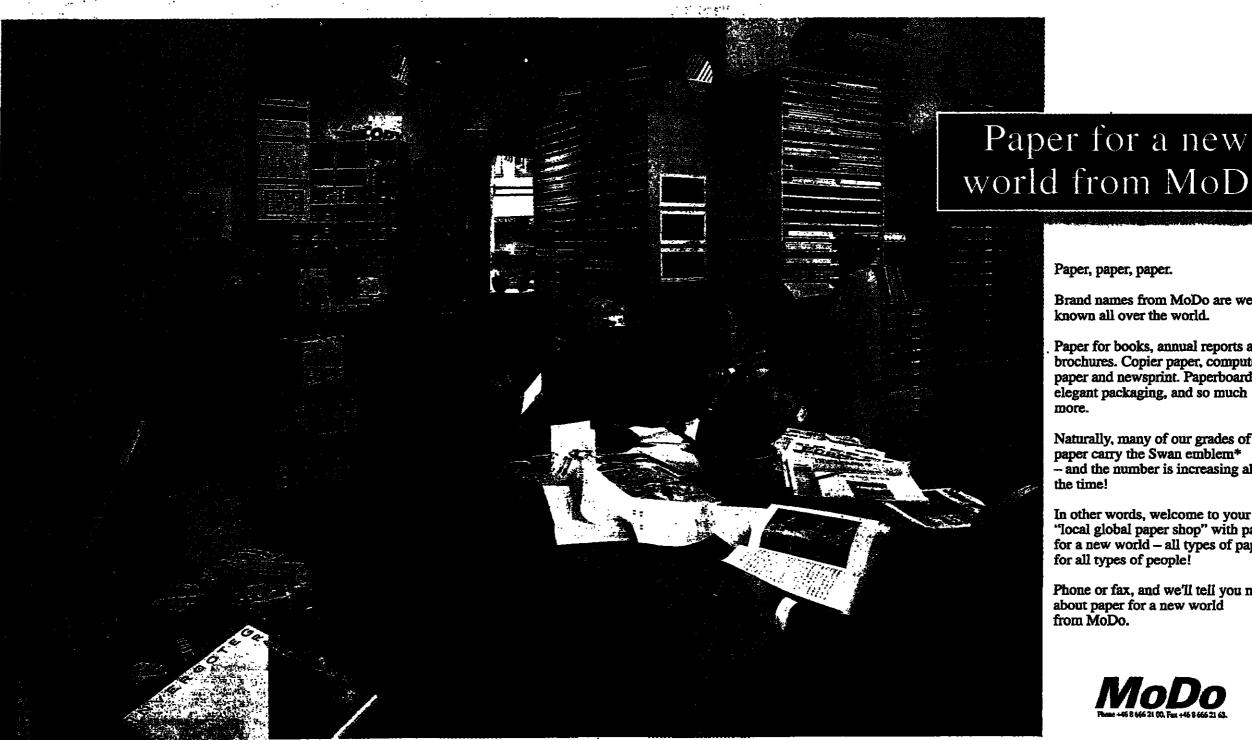
"We recognised that in our present size, we can't be all things to all people," says Harri Piehl, chief executive of Finland's Kymmene, which is focusing on fine papers, lightweight coated papers and pan-

Only a handful of broad-based multinationals remain. They include International Paper, the world's biggest - and still one of the most aggressive - companies, and New Zealand's Fletcher Challenge, whose operations stretch from Australasia to North and South America and the UK.

Perhaps the most telling sign that the worst is over is that long-suffering forestry executives are gradually moving from defence to attack on environmental issues. A blizzard of publicity material from all

the main pulp and paper-producing countries argues that few other industries can match forestry's "sustainable cycle" of a renewable raw material, recyclable prod-

ucts, and energy from its waste. "This industry can be totally clean," says Henrik Ehrnroodt, chief executive of Jaakoo Pöyry, the Finnish forest-products consultancy. But the industry is still pleading for patience. To complete the job that has been started will require more time and a lot more money.



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Paperwork expands

society has hung over the forest products industry for decades. As people turn from newspapers to television, from letters to phone calls, and from office memos to electronic mail, paper should be going the same way as quill pens, copper kettles and buggy whips. Yet paper consumption continues

Even in North America, where the electronic age has progressed furthest, demand grew by an average of just over 2 per cent a year between 1971

Jaakko Pöyry, the Helsinkibased consultancy, forecasts that consumption in North cent a year to 2005, with average personal use climbing from 300 kg to 309 kg. "There's still a psychological desire for the feel of paper," says Mr Dick

breakthrough that could dramatically broaden paper's hori-

Pressure from the environmental movement has diverted much of the industry's R&D and new capital investment towards conserving and recycling paper, rather than finding new uses for it. Some companies are going even further by experimenting with materials other than wood as an ingredient in fresh paper.

Weyerhaeuser, the US forestproducts group, is using pulped wheatgrass from fields n central Oregon as a supplement to woodpulp. Other US producers are working on ways to revive the old Chinese practice of making paper from

A process similar to papermaking has been developed to produce lightweight "spunbond" fabrics from natural and

World paper	and board per capita consumption				
Region	Per capita 1994	consumption ¹ 1984	10-year CAGR (%)	1990 population	
European Union	162.0	158.1	0.2	328,183	
Scandinavia	230.0	225.6	0.2	17,650	
Eastern Europe	38.0	34.3	(0.4)	427,250	
North America	310.0	302.1	`0.3	276,216	
People's Rep of China	18.0	12.6	3.6	1,143,330	
Indla	4.0	3.1	2.6	843,000	
Indonesia	9.5	7.7	2.1	179,140	
Japan	230.0	228.3	0.1	123,600	
Brazil	30.0	27.6	0.8	150,367	
Chile	38.0	31.7	1.8	13,131	
Mexico	39.0	36.4	0.7	82,000	

1 Thousands of turners 2 Salomon Bros estimate; 3 Thousands

American Forest and Paper Association in Washington DC. The growth of electronics has brought some comfort to paper makers. Computer suppliers have yet to find a substitute for their bulky manuals. Computer magazines have mushroomed. Products such as uncoated freesheet, otherwise known as plain white paper, have gained a new lease of life. As personal computers become just another household appli-

ance, the paper used for print-

ers has become a value-added

consumer product, complete

with brand names and fancy Could forestry industry leaders be fulling themselves into a false sense of security? Mr Henrik Ehrnrooth, Jaakko Poyry's chief executive, cautions that forestry has traditionally been a capital-intensive rather

Research and development spending is low compared to many other sectors. The forestry industry's conservatism is reflected in a widespread assumption that future growth in paper consumption will come mainly from incremental improvements to existing prod-

alternative materials seems

likely to displace wood entirely

as a raw material. But every

one acknowledges that technol-

ogy is moving at a rapid and

Paper makers' confidence in

unpredictable pace.

America.

Most

automotive parts.

carpet. Another Canfor product, known as Woodmat, is formed into interior car door panels, dashboards, kitchen cabinets and packaging trays. Much of the industry's effort is Storat, chief economist at the synthetic fibres. These fabrics directed at replacing increasare increasingly used for diaingly restricted supplies of pers and sanitary towels. In high-quality, old-growth timber Japan, scientists are said to with smaller, lower-quality have found ways of producing synthetic cellulose fibres, the Mr Chip Dillon an analyst at basic ingredient of paper. For Salomon Brothers in New the moment, none of these

York, predicts that North American production of oriented strand board, which is made from multiple strands of low-quality timber, will grow by 6bn sq ft over the next four vears. Plywood capacity will shrink by at least 2hn so ft. Some questions about forest

own new grade will find a

niche where competition is

minimal and margins high.

SCA, the Swedish group, mea-

sures its managers' perfor-

mance partly by the number of

new products they launch. Not

surprisingly, some new prod-

ucts are more successful than

Extra-smooth and bright

newsprint has enabled newspa-

pers to improve dramatically

the quality of their colour

reproduction. But demand for coated kraftliner - thick card-

board with a glossy white fin-

ish, designed as a packaging

material for items such as fine

glassware - has been disap-

Forest products companies

are also seeking new uses for

their raw material. The popu-

larity of engineered wood prod-

ucts, which share many attri-

butes of building materials

such as steel and aluminium

has grown enormously in

Wood components are

increasingly being assembled

into entire roofing and flooring

Canfor Corporation of Van-

couver puts grass seed and

base to make lightweight

"take-home" lawns, which can

be rolled out in a garden like a

recent years.

the future rests mainly on the products' future may be assumption that fast-growing answered by an ambitious US demand in newly-industrialis ing countries, especially China task force which was set up in and south-east Asia, will more August 1993 by the Environthan make up for slackening mental Defence Fund and six consumption in the developer big paper consumers, including world. Consumption in China McDonald's (fast food), Johnis currently only about 20 kg a son & Johnson (healthcare products), Time Inc. (magaperson every year, about 5 per cent of the level in North zines). Prudential Assurance and NationsBank.

paper companies The participants plan to con sult a wide range of groups efforts to broaden consumption involved with paper, including centre on producing new grades with a combination of producers, environmentalists, investment bankers and improved brightness, printability, smoothness and strength. graphic designers, in the hope Paper is now used in such of learning how paper can meet world demands. The task-force is expected to complete diverse products as hospital gowns and heavy bags that store animal feed or heavy its work in early 1995.

Bernard Simon

xel Springer, the big German publishing house, sent its paper suppliers a detailed questionnaire late last year, requesting information on their forestry

In March, two UK paper companies cancelled pulp contracts with MacMillan Bloedel. the Canadian forest products group, after environmental groups threatened to organise consumer boycotts in protest at "clear-cut" logging in Brit-ish Columbia. Incidents like these confirm that forest management has become a hot topic, with increasingly tangible commercial consequences. Companies that cannot demonstrate "good" techniques are facing the threat of customer boycotts. In Nordic countries and North America, the issue of which trees to cut and how to cut them now grabs more headlines than pol-

the industry's traditional environmental bugbear. Concern has arisen because of fears that logging is systematically destroying biodiversity, in contravention of the Rio environmental accords of 1992. It is not just a question of whether replanting exceeds harvesting levels. It is also about protecting old trees, ani-mal species, soil quality and unique environments. In Sweden, for example, as many as 200 species are thought to be

threatened because of the

lution by pulp and paper mills,

impact of conventional forestry practices. Environmental pressures to protect forests have helped push lumber prices to record levels in recent years. The volume of timber sold by US govfrom 12.5hn board feet in 1987

Management of trees has become a hot topic

Green lobby focuses on logging practices

feet this year. The impact has been most keenly felt in the US north-west, where efforts to protect the spotted owl have halted logging in federallyowned forests.

The Clinton administration promised last year to relax the curbs. The administration proposed a compromise in late April, which would allow limited logging in the area - provided the plan does not become bogged down in the courts by forestry companies or environmentalists, both of which are unhappy with some of its contents.

Environmental groups have identified the main villain as clear-cutting, which involves completely clearing large areas of forest land with little or no heed to fauna and flora. Greenpeace in Germany has led the way in Europe by insisting on an end to the practice - a demand which has led to the actions of companies like Axel Springer.

One result is that forestry conservation, cultivation and felling methods are coming under scrutiny as never before. This is forcing changes to traditional forestry practices and leading to a more active role by governments.

Many Nordic forest companies insist they no longer clear-cut, although, in most instances, neither have they gone so far as to adopt the practice of "thinning" that many environmentalists advo-

Companies in Scandinavia and North America have instead opted for a compromise - reducing the size of clear-cut areas, allowing some trees to remain standing, building fewer logging roads and restricting felling around

Environmental pressures to protect forests have helped push lumber prices to record levels

rivers and lakes, which are favoured wildlife habitats. Juhani Pyykkönen, a for estry manager with United Paper Mills, one of Finland's biggest forestry groups, says the company now cuts a maximum of 10 hectares at one go and between 2 and 4 per cent of the trees are left standing.

UPM has phased out chemi-cal treatment and ploughing; stopped planting non-indigenous pines; started using biodegradable vegetable oils to lubricate forest machines; and placed more emphasis on natural regeneration (seeding not planting). Increased resources are also being put into education, so that forest managers can recognise sensitive environments and adapt their harvesting methods accordingly. Not for the first time, the

industry feels that it is

unfairly under assault. But there is no doubt that it is feeling the pressure. Sweden is discussing an international forestry certification system with the Worldwide Fund for Nature. Similar moves are afoot in Canada. including independent audits

estry practices. Governments, too, are doing their hit - though not always to the liking of the forestry dustry or its employees. Sweden introduced a new

of individual companies' for-

forestry law at the start of the year, to give equal priority to production and environmental goals, Finland has just announced proposals which will double the amount of protected "wilderness forest" 600,000 hectares, as part of its nature conservation pro-

British Columbia's socialdemocrat government has ince's protected park and wilderness areas to 12 per cent of the province, from about 8 per cent now. Although the industry has signed on to that target, strong disagreements remain on precisely which pieces of land should be burred from resource development A storm has also erupted in BC over suggestions by a government commission that the 12 per cent target be angmented by large tracts of "regionally significant land" such as corridors between existing parks, covering about 6 per cent of the province.

More than 20,000 loggers showed their displeasure at a rally in Victoria, the provincial capital, in March. Such protests appear to have cooled the government's ardeur for setting aside protected areas.

"New knowledge from research, demands from cus. the main forces promoting the development of environmen tally sound forestry practices." says Jan Remrod, managing director of the Swedish Pulp and Paper Association. But he stresses that the process carries a cost.

Besides time spent on planning and education, it is estimated that the restrictions will cut long-term harvest levels in affected areas by 10 per the bigger companies can absorb. But for the small private farmers who dominate forest ownership in Sweden and Finland, it is another mat

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alike appear to be nearing the point where environmental friendliness in the forests may have to take a back seat for a while to commercial and political realities.

Bernard Simon and Christopher Brown-Humes

Recycling continues to increase, but can it replace the forest?

Trees are being cut down to size

become a way of life in most industrial countries. But in the process, it has raised issues for the forest-products industry which are far from mundane. The crux of the problem in North America is that mills are concerned about their ability to collect enough waste paper to meet recycling targets. In Europe, the problem is

precisely the opposite. Legislative decrees and government subsidies have flooded the market with used paper at rock-bottom prices. The trend towards recover

ing and recycling used paper is furthest advanced in Germany. By mid-1995, 80 per cent of used packaging paper and paperboard will be collected, and at least 90 per cent of that will be recycled. Legislation is also in the pipeline requiring the collection of 60 per cent of newsprint, magazine and office

In the US, the American Forest and Paper Association estimates that, for the first time last year, more paper was recovered than was sent to landfills. Nearly 60 per cent of corrugated materials but only one-third of all packaging

paper is recycled. US papermakers aim to recycle half of all waste paper by 2000, compared with about 40 per cent now. Dick Storat, the AFPA's chief economist, esti-mates that to reach this target, the collection rate for corrugated material will have to reach 80-85 per cent in urban

US paper mills find it increasingly difficult, however, to lay their bands on cheap recyclable material.

They face stiff competition from local governments and from a growing number of waste-to-energy plants. Mr Sto-



rat estimates that about 10 per cent of paper which might nor-mally go to landfills or recycling plants is being channelled into energy generation. Municipalities are eager to

collect recyclable materials to help raise money for their waste-management services The terms of bond issues floated to finance waste-to-energy plants frequently require municipalities to control the flow of combustible materials. The paper companies want free-market forces rather than municipal ordinances to decide what happens to discarded paper. "Trust us to put it in

Two cases before the US Supreme Court, involving ordinances passed in California and New York, are expected to help clarify the contentious issue of when a household or

the products where it makes the most sense," Mr Storat

its waste material. At present, the recycled content of different types of paper varies widely. Recycled fibre makes up more than 90 per materials and 80 per cent of board produced in the Euro-pean Union. But the proportion is only 7 per cent in fine printing and writing papers, where the strength and cleanliness of virgin fibres have so far proved

The degree to which recycled material can continue to replace virgin fibres is a tricky question for forestry companies. Enthusiasm for recycling among Scandinavian and Canadian producers in particular, is tinged with nervousness about the future of their vast

investments in trees. "There's a misunderstanding that recycling can replace the forest," says Jan Remröd, Pulp and Paper Association. The industry has strong misgivings over a Belgian proposal for an "eco-tax", which would be levied on virgin materials as a way of pressuring paper producers to raise the recycled content of their products.

The forestry companies have so far been able to demonstrate that high-quality papers require a high proportion of clean, strong virgin fibres. Even recycled material needs to be topped up with freshfrom-the-forest fibre. Scientists estimate that cellulose fibres cannot be recycled more than five or six times, even for the lowest-grade paper products. hope to convince environmental groups and consumers that

The forestry companies also trees are among nature's most renewable products. Not only do new trees grow where old ones are cut down, but recycled fibres can be used as a fuel when they are too worn, dirty or short for paper-mak-The problem for the industry

is that the tide is moving towards an ever-higher recycled content in an ever-wider ing variety of products. The technology to de-ink printed papers is improving by leaps The AFPA forecasts that the

rate of growth in consumption of all grades of recovered paper will far outstrip new production capacity over the next two

In the case of printing and writing papers, demand for recovered material is projected to jump by more than a third, compared with a 6 per cent increase in capacity. The recy-cled-content in these grades is expected to rise from 10 per cent to 15 per cent over the

David Refkin, director of magazine paper purchasing at Time Inc, the big US publisher, predicts that at least threequarters of the 250,000 tons of paper Time buys each year mostly lightweight coated groundwood grades - will be recycled stock by 1998.

Sensing which way the wind is blowing, Scandinavian and North American companies are now directing the lion's share of their capital spending to facilities based on recycled materiale

Commercial common-sense dictates that mills whose main feedstock is waste paper are more likely to be built close to heavily-populated urban centres than to natural forests. The Nordic forestry compa-

nies' biggest projects at pres ent are the recycled-newsprint mills being put up by Finland's Enzo-Gutzeit, near Leipzig, Germany, and by SCA of Swe-

The trend towards recovering and recycling used paper is furthest advanced in Germany

den at Ayleaford in the UK. MacMillan Bloedel, of Vancouver, has spent years trying to gain regulatory approval for a C\$1bn recycled-newsprint mill near Sacramento, California. A growing number of pro ducers are also moving into waste paper collection as a means of securing their rawmaterial supplies. In their search for a cheap but reliable source of waste paper, many North American dissue makers

now place their own collection

bins at strategic points in

Bernard Simon

Profile: AssiDomän is Sweden's fourth largest forestry group

ssiDomän has just joined the hranks of Europe's top ten forestry groups, and Lennart Ahl-gren, its president, is clearly relishing every minute of the experience. Not only does he display an ebullient

confidence in wood as a raw material – "I firmly believe this is a product for the future" - but he has a clear strategic vision of the group's development.
"Our objective is to be Europe's leading company in the fields of packaging paper, paper-based packaging and sawn timber." he states.

Lest anyone should doubt him, Mr Ahlgren has been busy even in the few weeks since AssiDomän emerged in its current form, following a state-orchestrated merger and privatisation. It has made a successful bid for Ncb, a par-tially state-owned forestry group, and acquired a Swedish saw-milling opera-

Further acquisitions would seem only to be a question of time, not least because the company wants to make good use of its financial strength to back its strategic ambitions.

A lot has happened in a short time. A few months ago, AssiDomān did not even exist. It was formed at the start of the year from the merger of two wholly state-owned forestry groups, Assi and Domän. In March it gained new 590,000 shareholders when the state sold out 49 per cent of its holding, garnering SKr7.6bn in Sweden's largest ever privatisation. When shares in the group began trading last month, its market capitalisation amounted to SKr16bn. With 1993 sales of SKr14.6bn, Assi-

Newcomer with a strong base Domān is Sweden's fourth largest for-estry group after Stora, SCA and MoDo. It claims to be the world's largest private forest owner, with 3.4m hectares of productive forest land. It also ranks as

Europe's fourth largest producer of sawn goods, with annual output of 950,000 cubic metres, and one of Europe's five biggest producers of corrugated board. Operations span nine European countries, with 5,000 of the group's 12,000 employees based outside



Mr Ahlgren says the emphasis on packaging and large forest holdings provide the group with considerable resilience in an industry notorious for its cyclical peaks and troughs. But this is just one aspect of a strategy based on high-quality products, added value, and greater material processing.

The starting point for the strategy is virgin fibre, which is hardly surprising given the company's extensive forestry reserves. "We will concentrate on virgin fibre and will invest in existing mills in Sweden to upgrade production," says Mr Ahlgren. In fact, the Ahlgren philosophy can be summarised by the word "concentration" - concentration on virgin fibre, concentration on sawn goods, concentration on packaging and packaging material. "We won't get involved in printing and writing papers or tissue," he stresses.

The other priority is financial stability. The group has a healthy cash flow, and an equity-to-assets ratio which, at around 50 per cent, is surpassed by few forestry groups worldwide. Results are on rising trend, with a profit of between SKr1.2bn and SKr1.5bn expected for this year, after last year's SKr876m.

Without the strong financial base, it is unlikely that the group would be emphasising its expansion strategy so forcefully. The programme can be sum-

In Sweden, the company will continue to build up its saw-mill operations, both by investment and acquisitions, aiming to reach an annual production level of 1.1m to 1.2m cubic metres in the next two years.

■ In Europe, where many of the packaging operations are based, the group wants to be close to its markets and is looking to holster its position in seg-ments like corrugated board. Although it has a relatively strong market posttion in the UK, Danish and Swedish markets, its share in countries like France and Germany is low. The acquisition of Ncb - a packaging

company - will not leave much of 2 dent in AssiDomān's finances, as the bid only valued the company at some SKri.4bn. But most analysts believe Mr Ahlgren is hatching something bigger. including, possibly, a strike at his former company, Korsnäs, where he was managing director for seven years. Though coy on the subject, Mr Ahlgren admits there would be a "natural overlap" with Korsnas, which is also strong in packaging and sawn timber. There have also been suggestions that the group might be interested in buying

MoDo Packaging from MoDo. Christopher Brown-Humes

SMART COMPANIES FIND VALUE IN UNEXPECTED PLACES The Scots pine plantations of Northern Scotland must

be thinned regularly to make space for growing trees. We use these thinnings to make NORBORD STERLING, a lowcost, high-performance substitute for traditional plywood.

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For a copy of the 1993 Noranda Forest Inc. annual report and environmental report contact Geoffrey Elliot; Vice-President Corporate Affairs. Fax; 010-416-982-7396. Listed on the Toronto, Montreal, and Vancouver Stock Exchanges under the symbol NF.

WORLD FOREST PRODUCTS 3

apan's paper industry is going through the shredder. Plagued by over-capacity, poor demand, plunging prices and high financial costs, the industry has most recently been tormented by the ever appreciating yen. Corporate profitability has plunged. But if the causes of the Japanese paper industry's present crisis are deceptively simple, the remedies remain elusive.

The scale of the problems besetting the Japanese paper industry are huge, but the most significant remains overcapacity, a self-inflicted wound. During the bubble years of the late 1980s, paper demand increased 1.3 times GNP growth, which itself was buoyant at that time. As paper and board selling prices rose and raw material prices sank, thanks to the rising yen, so virtually every company took advantage of cheap funding to increase capacity. Paper manufacturing capacity rose from 13.5m tonnes in 1987 to 19.5m tonnes by 1991 as 43 state-ofthe art paper machines came

The basic problem facing the industry is that this 44 per cent rise in capacity was not matched by a commensurate increase in demand. Indeed, as the new capacity came on stream, Japan began to slip into the longest and deepest recession since the second world war, an economic down-

atin America's forestry industry

dominated by Brazil and Chile which

exports, has continued to expand in the

face of tough global conditions. Although

some companies saw profit margins

squeezed last year - as new capacity came

of world forests, is well positioned to cash

in. Costs are generally low and environ-mental legislation, although tightening, is

more lax as governments drive for eco-

The continent's greatest asset is its cli-

mate. In Brazil trees grow all year round,

halving the normal cycle of eucalyptus

plantations to five years. Radiata pine, which accounts for 80 per cent of Chile's

1.6m hectares of plantations, grows in a

huge investments in Brazil and Chile,

where an estimated \$9bn was spent

between 1987 and 1992, mainly in the

Such natural advantages have led to

quarter of the time it takes in Canada.

nomic growth.

count for 90 per cent of regional

the country. Demand for paper and board, which during 1992 tumbled for the first time in 11 years, fell again last year, according to the Japan Paper

Demand for newsprint, wood-free printing papers, and art papers all fell last year." says Kiyoshi Shirakawa, deputy general manager of the international department. "Only light-coated papers

"The Japanese market is in deep depression. There is no growth and there is massive oversupply in almost every grade. Paper prices are falling and most companies are losing money," explains Mr Tadahiro Kondo, general manager of the international division of the

The plight of the industry, already suffering from weak demand and excess capacity, has been exacerbated by the appreciation of the yen which has sucked in imports and hit the ability of Japanese paper manufacturers to export their excess production. The US dollar, valued at Y145 in 1990. plummeted to nearly Y100 this month (May).

Japanese paper exports plunged by 31.7 per cent last year to only 474,400 tonnes, while paperboard exports also slid, down 23.3 per cent to 161,700 tonnes. Barclays de Zoete Wedd estimates imports

turn which continues to grip Association (JPA).

Japanese paper and paperboard production ('000 tonnes) 1988 1987 1989 1991 1992 2,668 6,637 3.067 Newsprin 3.253 Printing & communicati Packaging & wrapping 7,628 5,991 1,078 8,630 9,251 1,185 9,730 1,177 9,610 1,129 1,281 1,115 1,175 1,110 1,474 1,144 1,076 1,522 1,144 1,089 1,040 1,226 1,161 1,386 1,438 1,187 1,155 14,343 15,726 12.807 Paper total 11.790 16,429 17,048 16,592 16,202 10.281 8,679 9.730 11.083 11,657 12,020 11.718 11,559 24,624 26,809 28.088 Paper & paperboard total 29,088 28.310 Paper classification has been altered since 1988. Figures are estimate

Huge problems are besetting the Japanese industry, says Paul Abrahams

Tormented by the rising yen

of paper and board rose just under 10 per cent last year. although volumes remain small at about 110,000 tonnes a year, according to Mr Kondo at

Given poor demand at home and abroad, falling exports and rising imports, output of paper and board fell for the second year running during 1993, down 1.9 per cent at 27.7m tonnes. Meanwhile, paper pro-duction, which had fallen 2.6 per cent in 1992, dropped another 2.4 per cent this year. according to the JPA. Operating rates have fallen brutally. from 93.7 per cent in 1989 to 82.1 per cent last year. Brokers Smith New Court expect them

to fall further to 79.5 per cent. The impact of overcapacity on prices has been brutal. In the last quarter of 1993, the prices of tissue paper fell 16 per cent, while high-grade paper tumbled 12 per cent. The prices of almost every grade of paper, except newsprint remain on a downward curve.

orporate profits among the paper companies have fallen five years running. The sector's pre-tax profits are now almost entirely dependent upon sales of mar-ketable securities, according to Smith New Court. Both Mitsubishi Paper and Settsu were forced to sell these to avoid

Faced with such a dire environment, the Japanese paper and pulp industry has reacted by implementing a series of gigantic mergers. In April last year, two of the country's largest groups, Jujo Paper and Sanyo-Kokusaku Pulp, fused to create Nippon Paper Indus-

tries, Japan's biggest paper company by turnover. The following October, Oji Paper, the country's largest paper maker, and Kanzaki Paper, the seventh biggest, also combined to create New Oji Paper, Japan's largest paper manufacturer in terms of tonnage. Smaller alliances

losses during the first half of include the link between Hon-last year, for example. include the link between Hon-shu Paper, the leading papershu Paper, the leading paperboard manufacturer, and Takasaki Paper, the 11th largest paper group, to share distribution and purchasing channels. The benefits of such mergers

have not yet fully materialised however. Sales and distribution costs have been cut, as have financial costs, but the willingness to reduce labour costs - representing about 12 per cent of all costs - remains limited. The paper companies. like other Japanese groups, are reluctant to make compulsory redundancies, cutting the num her of employees through reduced graduate recruitment and early retirement. Nippor

Paper Industries has managed to cut its headquarters staff by 400 since the merger through such means. But according to BZW, the only company to cut aggressively has been Tomoegawa Paper which is in particular difficulties.

Another response has been to sell assets in an effort to reduce debt. Daishowa Paper Manufacturing, Japan's third largest paper group, has been forced to announce a five-year restructuring plan aimed at reducing debt from Y434bn in March this year to Y270bn. In addition, two creditor banks, the Industrial Bank of Japan and Fuji Bank, and a shareholder, Marubeni, have sent in managers to help management. The company expects to make a net loss of Y28.2bn during

the current financial year. The prospects for the industry remain grim. The price of pulp, representing half of raw material costs which in turn represents 42 per cent of total costs, have begun to rise. Previously, the paper companies had been benefiting from a fall in pulp prices from a peak six ers ago of \$820 a tonne, to a low last year of \$370, according to Nippon Paper Industries. Prices in December reached \$500 a tonne, the company

The big question is whether the paper companies will be able to make price increases stick given the sickly state of

demand. BZW does not expect them to succeed. The danger is the paper groups will be caught between rising pulp prices - partly offset by the appreciation of the yen - and static paper prices. Their unwillingness to cut capacity and code market share means there is unlikely to be an improvement on the supply side. The one exception has been Nippon Paper Industries which scrapped a plant at

Vatushiro last June. Meanwhile, most of the industry's overseas investments has been aimed at securing upstream supplies. The industry has wood supply ventures in Australia, Papua New Guinea, Vietnam, Indonesia, the US. Canada, Brazil and Chile. Last year, for example, New Oji Paper and Nissho-Iwai formed an acacia and eucalyptus plantation joint venture on New Britain Island.

Mr Kyoji Hanamizu, general manager of public relations at Nippon Paper Industries, says it is highly unlikely his company will build capacity in Japan for a long time. Any new production is likely to be linked with the company's plantations, probably in Indonesia where the company is participating in a Y100bn 450,000 tonnes a year pulp mill based on acacia trees. Given the high operating costs in Japan, the future of the Japanese industry is clearly going to be overseas.

Latin America's forest industry has continued to expand, says David Pilling

A region well positioned to cash in

on stream just when the market hit rock-bottom - most are well placed to take advantage of any sustained upturn. formed Latin America from a net As profits in the northern hemisphere importer of wood products in 1987 into an are sapped by tough environmental important exporter, now accounting for requirements and high costs of labour, 15 per cent of world pulp supply. Analysts energy and transport, production of pulp and other wood products is seeping south. predict that, within 10 years, Latin America could be accounting for 30 per cent of Latin America, which boasts 27 per cent globai trade.

Although Chile faced tough conditions last year, Eladio Susaeta, of Chile's Wood Corporation, predicts a 20 per cent rise in export volumes in 1994 and earnings of \$1.45bn. Mr Juan Moya of the National Forestry Corporation (Conaf) sees industry confidence reflected in last year's 130,000 hectares of new forest, at 10ha per Chilean, one of the world's highest plant-

The industry, entirely privately-owned, has advanced rapidly since the mid-70s when it counted on only 300,000ha and exports of \$125m. Generous planting sub-sidies have quintupled the area of man-made forests, which should double

Planting is expected to continue apace, despite the end of state subsidies next March, because of the commercial incentives to supply Chile's six pulp mills which have a total annual capacity of 2m tonnes. Three mills came on stream in 1992, all with substantial foreign participation, nearly doubling potential output. One, the Santa Fe plant, fed by eucalyptus, marks a trend towards faster-growing hardwoods for the production of short-fi-bre cellulose. The Santa Fe mill, a \$460m joint venture between Scott Paper of the US, Royal Dutch/Shell and Citibank, has a 230,000-tonne annual capacity.

Pulp makes up less than half of Chile's forestry exports, with sawn wood, planks and chips also exported. Several Chilean companies are looking at projects in Argentina's potentially rich, but underde-

eloped, forestry sector. Unlike Chile, Brazil's industry has not had the advantage of a stable macro-ecoprosper despite regular changes at the finance ministry and skyrocketing inflation. Some \$6bn has been invested in as many years, with billions more waiting for better conditions at home and abroad. The industry has exploded over the past two decades, trebling output of paper and board and lifting pulp production from 1.1m tonnes in 1973 to 5m tonnes currently. In 1992, Aracruz Celulose became the world's biggest producer of short-fibre pulp, earning \$460m from sales of 977,000

tonnes after a \$1.2bn expansion of its

he potential for further increases in installed capacity are enormous. Mining conglomerate Companhia Vale do Rio Doce - which has five big reforestation and pulping projects, some involving Japanese investment – could boost pulp output by 1.7m tonnes by 2000. Brazil, in contrast to Chile, has a huge internal market of 150m people which devours 75 per cent of domestically-produced naner and more than 60 per cent of pulp. But this still leaves about 1.3m tonnes of paper and 2m tonnes of pulp for export which last year fetched \$1.5bn.

In addition to pulp and paper, Brazil also earns more than \$500m annually from exports of logs, planks and wood manufactures. This year, pulp and paper production are expected to rise by 8 and 6 per cent respectively, according to Mr Horaclo Cherkassky, president of industry association ANFPC. Few doubt Brazil's potential to better its ranking as the world's eighth biggest pulp produce

Such expansion plans will need, how-ever, to take account of Latin America's growing environmental awareness. In Chile, for example, where a law on native forests is working its way through parliament, much controversy has been raised by the commercial exploitation of 100year-old native lenga trees to provide

woodchips for Japan. Last year, Chile earned more than \$100m through exporting chips produced predominantly from native forest species.

Forestry companies argue that native forests are exploited rationally in a man-ner which protects by placing a commer-cial value on land that might otherwise be cleared for agricultural use. Mr Moya of Conaf says the subject has provoked "much passion and little logic" and that Chile, a poor country, must make adequate use of its resources. Conaf says that 90 per cent of Chile's forestry industry uses man-made wood.

Mr Nicolo Gligo, a Santiago-based UN expert, says the industry could be sustainable, but only if tougher regulations are enforced. He would like to see a ban on all chips produced from native species. Of industry claims that it plants more trees than are felled, he says: "I am in favour of plantations but in addition to, not as a replacement of, native forests."

Whatever merits differing arguments may have, the fact remains that 200mha of Latin America forest have been destroyed in the past 30 years, according to the Food and Agriculture Organisation. If the forestry industry is to enjoy a long. prosperous future in the continent it must reverse that trend.

EDUCATION

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printing and writing paper market in Indonesia, Sinar Mas

model for Indonesia and the world in waste management.

including their exemplary waste water treatment processes, The Group also makes extensive use of recyclable paper

The Group's activities in the pulp and paper industry

adhere to strict environmental policies, including extensive

reforestation projects and maximum use of forest plantations.

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issued.

project for every

new credit card

helps make learning possible.

products in its pulping operations.

As one of the leading exporters of pulp and quality paper

Its subsidiaries, Tjiwi Kimia and Indah Kiat, provide a

Canada's Forests A VOYAGE OF COMMITMENT

Mapping a Route

In 1992, Canada embarked on a new National Forest Strategy developed by a broad cross-section of Canadians. The Strategy, Sustainable Forests: A Canadian Commitment, is an action plan to make the goal of sustainable forests a reality. The Strategy maps the route for Canada to achieve worldwide objectives for sustainable forestry - a significant step beyond sustained yield for timber production.

The Canadian Council of Forest Ministers and representatives of non-government organizations are committed to implementation of the Strategy through Canada's first Forest Accord.

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Taking into account a wide range of environmental, economic, social and cultural values, the Strategy charts the direction for stewardship of Canada's forests. Through public participation, the dialogue among partners is expanding. Economic opportunities are fostered through diversification and a host of forest values are accommodated.

Everyone on Board

Every day, Canadians are turning the idea of sustainable forests into a reality. In a spirit of cooperation, the combined efforts of government, industry, labour, professional foresters, Aboriginals environmentalists, private woodlot owners, educators and others are moving the National Forest Strategy closer to

Milestones

By virtue of its geographic vastness and ecological complexity, Canada faces a host of challenges in its voyage to sustainability. The great strides being made are reflected in the numerous accomplishments of the forest community across Canada from Newfoundland on the east coast to British Columbia on the west.

Achievements include developing new policies and practices, enhancing inventories, creating educational opportunities, and practising sustainable forest management on the ground.

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Canada is reinforcing its role as steward of 10 percent of the world's forests. At the Earth Summit in Rio in 1992, Canada endorsed the Statement of Principles on the Management, Conservation and Sustainable Development of Forests, the first international consensus on forests.

In the international arena, Canadians are proud of leading the movement toward sustainable forests. The establishment of a network of Model Forests in Canada has led to the birth of an international Model Forest Program.

Currently, Canada is working with other countries to develop internationally acceptable criteria and indicators of sustainable forest management.

If you want to know more about Canada's forests and their future, please contact:

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Canada



Life itself springs forth from the sun. Sinar Mas, as one of the leading business groups in Indonesia. appreciates the gifts of nature and is committed to the responsible development and preservation of the environment in order to improve the

quality of life for the benefit of mankind.

FOOD

The Group's agro-business activities help provide the most fundamental of all human needs - the need for food.

The Sinar Mas Group has roots in the vegetable oil business, having begun operations in this area more than 40 years ago. Today, the Sinar Mas Group has modern refineries producing edible oils and fats required by domestic consumers and food industries. The Group also owns and develops over 160,000 hectares of plantations devoted to oil palm, tea, coconut, cocoa and bananas. Through its vertically

integrated structure, the Group has achieved significant market share in agro-industry while adhering strictly to the national standards of health,

safety and environmental protection,

SHELTER From urban housing estates to

luxury hotels, the Sinar Mas Group contributes to the essential human needs for housing and shelter.

As one of the leading developers in Indonesia, Sinar Mas ensures its diverse real estate projects are developed in harmony with the surrounding environment. The Group's interests include commercial real estate and office buildings, residential subdivisions and condominiums, shopping centers, industrial estates and golf course developments.

Internasional Indonesia (BII), which endeavour to save the Javanese consumer marketing program, Sinar Mas was selected to participate in the government spon-

sored program "Care '92", designed to educate the public on environmental issues, including pollution control and recycling. The Group's activities in this program include providing loans to small businesses for waste management projects, and the purchase of materials for recycling With the source of its business and inspiration found in

nature, the Sinar Mas Group is committed to responsible development through its environmentally sound policies and activities.

Just as the rays of the sun give life to nature, so Sinar Mas shares the benefits of its successes.



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PT. Indah Klat Pulp & Paper Corp., Wares So Lin 40 foot J. M.T. Haryson law 62. Jaicaria 12780, Indonése, Rd. (82-21) 7976345 Fac. (82-21) 7976312-13. 7976363, 7976373 PT. Pabrik Kertas Tjiwi Kimia, Wisna Ba Lie 26-100 floor, J. M.T. Haryano kar 52. Jakarta 12760, Indonesia. Tel (62-21) 7976269-69 Fax (62-21) 797624-26

Rays, reflecting the

source of strength

Crackdown on illegal loggers

of its suspicion that the company was involved in illegal logging. It would certainly not surprise timber industry afficionados if the allegation were true. What created the interest was that after many years of complaint about lack of resources and information, the ministry

pany from listing shares on the Jakarta

Stock Exchange, the move caused a stir. For the ministry imposed the ban because

hen the Indonesian forestry min-istry recently announced that it had bauned a large timber com-

was now taking steps to enforce the law. Indonesia has the largest rain forest in the world after Brazil. It totals 144m hectares and covers 70 per cent of its land area. The country has long been aware of the value of its forestry resources and the

need to conserve them. Government policy concentrates on control of illegal logging and the introduction of higher value added products, a reduc-tion in shifting cultivation by forest dwellers and the provision of new employment, and the establishment of renewable timber plantations to support a fast-growing pulp

and paper industry.

Log exports were banned in 1985, and low interest loans offered to companies establishing plywood factories. As a result, exports of plywood have jumped from US\$991m that year to US\$3.2bn in 1992. Total exports of processed wood products, including furniture, reached US\$4.2bn in 1992, the third largest export earner after oil and textiles. Principal markets are

Japan and South Korea. At the same time, the pulp and paper industry has also shown remarkable growth. The industry has been privatised and capacity is expected to grow from 1.5m tonnes of pulp and 3.2m tonnes of paper to 14.6m tonnes of pulp and 7.2m tonnes of paper over the next 10 years.

With pulp production costs of US\$250 a

Indonesia is aware of the value of its forestry resources and the need to conserve them

tonne, significantly lower than European and North American producers, Indonesia is expected to become a significant producer. Exports of pulp and paper have already risen from 188,000 tonnes in 1987

to 660,000 tormes in 1992. The timber industry is dominated by the giant Barito Pacific Timer, the largest listed company on the Jakarta Stock Exchange and the holder of 5m hectares of forestry concessions, an area larger than

Barito is controlled by Mr Prajogo Pan-

gestu, a young ethnic Chinese Indonesian businessman with close links to Indonesian President Subarto and his family. It exports 95 per cent of its annual production of 1.3m cubic metres of wood products and 90,000 tonnes of adhesives.

Barito had sales of US\$459m last year and net profit of US\$145m, a rise of almost 100 per cent on the previous year. The company is benefiting from a rise in plywood prices from around US\$300 a cubic metre in late 1992 to more than US\$500 a cubic metre now.

The company made an initial public offering of shares last year, raising US\$292m. It has plans to expand into the pulp industry and has purchased a total of 660,000 hectares of forestry land, some of which is already replanted.

Barito last month signed a preliminary

agreement with Marubeni and Nippon Pulp and Paper of Japan to establish a US\$1bn pulp plant with a capacity of 500,000 tons. This is expected to come on stream in 1997. It is also acquiring timber assets in Malaysia.

esia, is the principal participant in the existing pulp and paper industry. The Sinar Mas group, a long established business with interests in banking, property, food and agribusiness, controls the two principal listed companies, Indah Kiat and Tiiwi Kimia.

Indah Kiat, with timber plantations and mills in Sumatra, has production capacity of 790,000 tomnes of pulp, of which 410,000 tonnes has just come on stream, and 344,000 tonnes of paper, backed up by a timber concession of 300,000 hectares.

The company had turnover of US\$305m in 1993, up 53 per cent on the previous year but earnings were hit by lower world pulp prices and fell from US\$57m to

Brokers W. I. Carr expect a recovery this year as the new pulp output pushes fore-cast sales to US\$483m and improved export pulp prices and domestic paper prices increase net profit to US\$76m.

Sinar Mas's other big producer, Tjiwi Kimia, has a production capacity of 21,600 tonnes of pulp and 394,000 tonnes of paper. Another large ethnic Chinese owned business group, the third largest in Indon-paper market and 50 per cent of the local

3.72

stationery market and exports 40 per cent of its production. Its expansion plans involve upgrading to high quality papers such as non-carbon required paper and cast coating paper and

installing new machinery. The company's turnover last year was up 25 per cent to US\$289m and is forecast to rise by a similar amount this year. Net

Barito Pacific Timer has 5m hectares of forestry concessions, an area larger than Switzerland

profit was US\$37m, up 19 per cent. A surge in the domestic price of paper to US\$900 per tonne, compared with US\$600 per tonne internationally will push up profits But the government is expected to move

to reduce tariffs and surcharge against imports, currently at 40 per cent, to reduce prices. Nevertheless, Tjiwi Kimia is expected to increase net profits for 1994 by 39 per cent to US\$51m.

Rapid growth in environmental action groups has accompanied the rise of the

timber industry in Indonesia and comes nies have been regularly hit by conplaints. Indorayon, a large pulp and rayon producer which had earlier been accused of polluting water supplies, suffered a serious chlorine leak at its North Sumatra plant last year and was forced to cease operations for a time.

indorayon produces long and short fibre pulp with a capacity of 260,000 tonnes backed up by 269,000ha of tropical forest and 86,000ha of pine forest. Its rayon plant has a capacity of 60,000 tonnes.

Forestry and environment efficials have been quick to investigate listed companies pollution controls and have enforced requirements to install expensive waste treatment facilities. Indah Kiat was fine last year for allegedly acquiring timber from improper sources.

But environmentalists believe there is still much to be done, especially in the monitoring of illegal logging. They point out that, according to Indonesia's own rules on sustainable forest manage the maximum amount of timber that can he cut is 31.4m cubic metres a year, But actual demand is 44m cubic metres, almost 40 per cent higher.

More effective monitoring of resources, plus better tax collection from timber corporations are the main recommendations from action groups for the future control on one of the country's most valuable

Maggie Ford

Profile: the South African producer, Sappi, has been hit hard

Ready to exploit changing political climate

It has been a rough few years for Sappi, the South African producer that claims top position on the continent in pulp and paper production. Not only has it had to contend with the industry-wide downturn, but a severe South African recession, compounded by the worst drought of the century, has severely weakened the domestic market and forced the company to write off a chunk of operations. On top of that, South

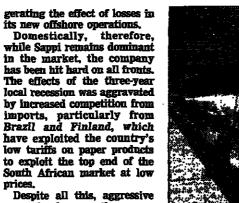
Core operations supply over half of the country's paper requirements

Africa's volatile political situation has played havoc with Sappi's international expansion programme, first by making it difficult to get permission from the South African Reserve Bank to export funds, and then, as a result of the

gerating the effect of losses in its new offshore operation Domestically, therefore, while Sappi remains dominant in the market, the company has been hit hard on all fronts. local recession was aggravated by increased competition from imports, particularly from Brazil and Finland, which have exploited the country's

Despite all this, aggressive expansion has seen the company's turnover rise from R2.9bn (\$580m) in 1990 to R5.54bn in 1994, but after-tax earnings have dropped over the same period from R604m in 1990 to just R142.2m in 1994.

Now, however, Sappi believes the worst is over on both counts, and it is well placed to exploit the expected upturn in the market and take advantage of South Africa's return to economic growth



Mute

(Treen

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and its newfound international respectability.

Executive chairman Eugene Van As says: "The changing political climate is creating new business opportunities for our operations.

The company is a fully-integrated producer and its divi-



the industry from raw timber to finished papers. Its core operations together supply more than half of South

Sappi grows its own timber

region, most of which is then used in the company's own plants. These in turn are divided into Sappi Timber industries, kraft papers, fine Africa's total paper require-

papers and pulp. The timber operations sup-

ply structural wood products for the building and mining industry, as well as particleboard and medium density fibreboard for use in home furnishings. For its other prodpaper mills and three kraft paper mills around the country, used for packaging and a wide range of home, school and office requirements. Its Usutu pulp division, based in output, to all parts of the producer in the world of globe, with east Asia and unbleached kraft market

paper. Sappi's forests benefit, in non-drought years, from the local climate, which allows for fast growth of trees suitable for pulp. Combined with access to some of the cheapest electricity in the world, this puts the company among the cheapest producers in the world despite the relatively

high quality of its output.
This cost competitiveness is true of most of Sappi's South

a combination of cheap inputs and low delivery costs. And, given the company's substantial excess capacity, Mr van As believes that the end of South Africa's recession, combined with increased spending plans by the new government in

areas such as education, will significantly benefit the local paper market thus helping lift domestic results in the near future. Over the past few year: however, the export market has become the main focus for many of the company's divisions. Sappi now ships a wide range of products, accounting for around 65 per cent of total

Europe being dominant, Spearheading this drive is the company's SAICCOR division, the world's lowest cost dissolving pulp producer, production for overseas demand. The operation has a capacity of 450,000 townes and is undergoing a R1b expansion plan which will make it by far the world's biggest single pro-

To complement these exports, over the past few



to be in the black for 1994, says Eugene van As (above). Picture left is the giant woodfree coated paper machine at Hannovie Paoler's Stuttgart mili

years the company has focused on increasing its overall foreign exposure and its foreign

In addition to being listed in Frankfurt, Paris and London, the company now runs a substantial European operation, with subsidiaries in the UK and Germany, making it one

The local climate allows for fast growth of trees suitable for pulp

of the largest producers of paper products on the conti-

However, despite impressive recent productivity gains and improvements in output, these acquisitions have proved very costly for Sappi. The group's five paper mills in the UK, acquired in 1990, were particularly severely hit by the Brithave managed to increase

market share. Similarly, Sappi's high pro-file purchase of Hannovier Papier the biggest German producer of coated papers, made in 1992, has also suf-fered from the domestic recession there. As a result, the

commany has proved a seven drain on resources and its losses have severely depressed Sappi's bottom line because of their denomination in D-Marks.

However, the sell-off of some assets has recently improved Hannovier's cash base, and here, too, Sappi feels that it has turned the corner and is in an excellent position to exploit the unturn.

"Our European operations are very much in the value added area of the market, encompassing high-quality coated and uncoated papers. and we expect to be in the black for 1994," asserts Mr van As, citing a 24 per cent growth in exports last year as support for this view.

That investors share this view is evident in Sappi's share price, which has been buoyant in spite of the the company's recent dismal

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results. However, some analysts warn that this picture may be overly rosy, particularly as much of the group's machin-ery in the UK and South Africa is old and outdated, requiring a hefty dose of new capital expenditure over the

next few years. "The company's basically healthy, but it will probably take a little longer to achieve substantial profitability, especially in Europe," warns Christopher Sloan of brokers Fer-

gusson Brothers Hall St Nonetheless, Sappi has managed to increase its market share on the continent, below by the successful operations of Sappi Trading, a Zurich-basel marketing arm formed in 1991 that conducts its activities through Speciality Pulp Trading in Hong Kong and regional distributors in Europe, Africa

and America. South Africa's increased respectability as a trading partner has allowed the group to start tapping previously closed markets, and overall exports have been growing rapidly. Further expansion particularly in east Asia and the Americas, is expected over the next few years.

Mark Suzman

Profile: prospects have improved for Chicago-based Stone Container

Reprieve for debt-laden company

Stone Container, the Chicago-based paper and packaging manufacturer, is counting on this year's modest but steady increases in linerboard and newsprint prices to rescue it from the financial conundrum that has brought it three consecutive years of deepening

Stone, a 68-year-old company which started as a family business that traded in twine and used corrugated cartons, entered the 1980s as a vertical-ly-integrated packaging company with sales of \$600m. Then, under the tutelage of Roger Stone, a grandson of the founders and a disciple of junk bond king Michael Milken, Stone Container ballooned to a company with \$5.7bm in sales during its peak year, 1990.

However, the growth was achieved through a series of highly leveraged acquisitions that left the company in debt. The purchases coincided with a boom in the cyclical paper and packaging business, and the biggest were made at the height of the market

The largest of these, the purchase of Montreal-based Consolidated Bathurst, came in 1989 at a price of \$2.6bn. Con-solidated Bathurst owns four newsprint plants in Canada. and one in Ellesmere Port in

price for Consolidated and got strick with a lot of debt just as

cash flow was going down," says Brian Bogart, a bond analyst for Duff and Phelps.

entered the 1990s more than \$40n in debt, and with cash flow that was not adequate to meet both operating needs and debt-service obligations. Annual losses grew from \$49.1m in 1991 to 1993's record \$358.7m. The company's des-

for a \$500m equity offering early last year that aborted after the announcement sent Stone's shares ■

into a tailspin, depreciating their value by half. kets for Stone's primary prod-ucts have strengthened. The

Analysts say Stone's acquisi-

tion of Consolidated Bathurst was an exercise in bad timing. "Basically, Stone paid a high

the market (for paper and container board) weakened and creditors.

As a result, Stone Container perate need for cash led to a dilutive plan

Even with some debt relief and an upswing in business conditions, analysts say Stone has a rough year ahead

However, since then the mar-

industry announced price increases for newsprint and Enerboard in March, and has been successful at implementing them. Linerboard supplies are particularly tight, with manufacturers, including Stone, operating plants full-out in the first quarter. Stone announced a second \$40 per tonne price increase for linerboard effective June 1, and is optimistic it will stick. At the same time, discounts for newsprint have been trimmed.

The market turnaround has given Roger Stone the reprieve he needs to restructure Stone's

In December, he created a company called Stone-Consolidated using most of Consolidated Bathurst's assets, and then sold a 25.4 per cent stake in the new entity to Canadian investors hungry for new offerings.

A series of smaller asset sales have followed, and the company has not ruled out selling a further stake in Stone-Consolidated as a means of In February,

the company public offering of 16.5m shares of common stock and

\$710m in senior debentures. The proceeds from the \$925m offering were used to prepay creditors.

Ira Stone, Stone Container's chief spokesman, says the company has met all of its requirements for long-term debt maturing through 1995 and much of 1996.

However, the debt clock continues to tick, with another \$732m in long-term debt due in 1997 and some \$2,9bn due thereafter. Even with some debt relief

and what appears to be an upswing in business conditions, analysis say Stone has a rough year ahead. "I think their business will continue to get better, but they still lost money in the first quarter, even with the price improvements," says Mark Rogers, an industry analyst for Prudential Securities. If annualised, the first quarter loss translates into a \$500m deficit for the

year, he said. Part of the problem is that even though product prices strengthened in the first quarter, they still did not recover to the point where they were in the first quarter of 1993. Forest products analysts says that if the forest products market cortinues to firm it will be in the areas where Stone is most heavily invested - linerboard. corrugated containers, and

newsprint and market pulp. Mr Bogart, with Doff and Phelps, says Stone may not see a profit until 1996. "Stone has done a great deal of financing to stay ahead of its debt meturities, and now its cash flow is improving," he said. "They have a high degree of operations." ing leverage, and each price increase has a generous impact on their bottom line."

However, he said, Stone faces helty environmental charges to clean up air and water emissions at its plant, and factories. Those charges according to the company, could be as high as \$400m. Shareholders appear to be

banking on Stone's laverage position in a rising forest proucts market Stone Contains shares have nearly trepled from a 1998 low of \$6.50 2 per spure to more than \$16 recently.

Laurie Morse





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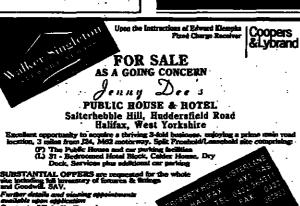
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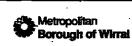
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he fellowing Interlocuter: Schiumph 13th May 1994 The Lords appoint the Petition to be inch and the walls, in common form and to be uncertainty on the walls, in common form and to be unvertised once in the Bidisburgh Gezette. The Flemackal Times and in The Hersild newspaper, appoint any party chaining an internal to ledge Answers thereto if no advised within 21 days

Signed J.A.D. Hope, Ipd

Of all which industries is hereby given. Pacific Bour Chagos Solicitos for the Company

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D. R. KEAST Deputy Secretary May 13 1994

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For further details, contact | Reid, A M D Bird or R G Ellis at Touche Ross & Co., Queen Anne House, 69-71 Queen Square, Bristol BS1 4JP. Tel: 0272 211622 or 0222 481111. Fax: 0272 292801. Or at the Company. Tel: 0533 864301. Fax: 0533 863512.

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GRAPHIC EQUIPMENT

Goodall takes on

Manweb, the Cheshire-based regional electricity company, has become the latest power group to appoint a relative outsider to one of its two senior posts. Bill Goodall, on the company's board for less than a vear, is to take over as non-executive chairman at the end of

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TAGHeuer

would use the report for business.

another chair

He will succeed Bryan Weston who is retiring after 45 years in the industry. Before privatisation four years ago, the way to the top

Non-executive

Sir Peter Thompson, 66, the

businessman who has been

heavily involved in promoting

wider share ownership, has

joined the board of Brewin Dol-

phin, one of the UK's biggest

Sir Peter (above), who is

president of ProShare and sev-

eral quoted companies, made

his name as chairman of NFC,

the employee controlled trans-

port group which he brought

to the stock market. He is one

private client stock brokers.

directors

the industry. Weston's appointment yesterday means that half of the 12 regional electricity companies have chairmen who have spent the bulk of their careers in other indus-The Manweb appointment means Goodall, 62, now chairs four companies; the others are

group, Hopkinsons, engineer, and Inveresk, paper manufac-Goodall began his career as a in electricity was a lifetime in

management trainee with

the board of Brewin Dolphin

shortly before it gets its shares

deputy chairman of the Conservative Party and MP for

Mitcham and Morden, has also

32,000 clients and a network of

12 regional offices, has devel-

oped through a series of merg-

ers of old-established stock-

broking firms. It was bought

by the Scandinavian Bank in

1987 at the time of Big Bang. In

April 1992 its management bought the business from the

Scandinavian owners and in

April 1993 it bought Bell

Lawrie, one of Scotland's larg-

■ Derek Arkley at ASH &

Potter and John Vernon are

Abingworth Management,

Ventures, and Str Michae

director of Rothschild

Alexander Smith, an assistant

Brewin Dolphin, which has

Dame Angela Rumbold, 62, a

floated on the market.

ioined the board.

est stockbrokers.

Volex, electrical controls



Scapa Dryers in 1956 after graduating from Pembroke College, Cambridge, and Leeds University. From there he rose to be chairman of Scapa Group, a post he relinquished last October.

SURGICRAFT. ■ Werner Dieter, retiring chairman of the board of

■ Stuart Henderson, former chairman and md of Contractors Services Group. sop, retired GKN and John Jes director, at BRITISH

■ Lionel Ross, former finance director of Whithread & Co, at CARPETRIGHT. ■ David Newbery. director of the department of applied

John Lithiby has resigned from TRANSPORT DEVELOPMENT GROUP. LACY; Norman Askew, Jeremy ■ Barry Eldred, joint md of retiring.

David Quysner, a director of John Briton, as chairman of BARNSLEY BUILDING

Richardson, chairman of Smith

BUILDING AND ENGINEERING APPLIANCES. Billy Carbutt as chairman at COMAC GROUP.

economics at Cambridge, at MARCIAL ECHENIQUE & PARTNERS.

SOCIETY.

former director of the London

management at Mannesmann. at TI GROUP.

Stock Exchange and former head of the Industrial Society,

New Court, as chairman at of two non-executives ioining Phibro entices Bonner to return

Nothing bears testimony more eloquently to the gradual re-emergence of Phibro as a force to be reckoned with in international commodities trading than Peter Bonner's decision to rejoin the Salomon subsidiary to head its non-ferrous and pre-

cious metals team in London. Bonner, now 49, joined what was then known as Philipp Brothers as a junior and worked his way to the top of the metals team during 25 years with the organisation. With impeccable timing, he

jumped ship in 1989 because he could see Phibro sinking beneath its huge overhead costs. A year later Salomon reduced Phibro, once world leader in commodities, to a shell, closing or selling many of its core businesses and making heavy redundancies.

More recently, Salomon has been rebuilding its commodi-ties business and now has 15 people in its metals trading team, as well as trading coffee. cocoa, grain, sugar and, of

Bonner spent some time with Credit Lyonnaise Rouse and then joined Barclays Metals which has grown quickly since the banking group decided to embark on London Metal Exchange trading three years ago. Barclays now wants to pause for breath and consolidate - which means that Bonner was more than ready to listen when Salomon offered the Phibro job. He says: "From Salomon's point of view, it was

better the devil you know, I

Finance moves

■ Richard Horlick, formerly a director of Newton Investment Management has been appointed md, UK and European institutional business, at FIDELITY INTERNATIONAL ■ Mike Allen has been appointed strategist for the Japanese market for BZW SECURITIES (JAPAN). ■ Charles Wilcox and Stephen Wright have been appointed directors of LAWRENCE KEEN.

Frank Wong, formerly regional treasurer for North Asia for Citibank, has been appointed regional director for the Asia Pacific region of NatWest Treasury, part of NATWEST Markets. ■ Martin Goodall has been appointed a director of LAZARD Investors. ■ Peter Skinner, formerly general manager, customer service at British Telecom, has been appointed a director at APAX PARTNERS. ■ David Lewis has been appointed a vice-chairman of HAMBROS BANK, chairman of Hambro Pacific and a director of Hambros Australia, based in Hong Kong. Thomas Candy and Ken Williams have been appointed executive directors of Hambros Bank, and Ian Beauchamp, Dolf Campman, David Curtis. Andrew Hamilton, Harvinder Hungin, David Jenkins, Graham Jones, Paul Remington and Vesa Summunae have been appointed directors. Charles Metcalfe, formerly vice-president of J.P. Morgan's emerging markets group, has been appointed director of marketing for MERRILL LYNCH global asset management.

Job Curtis has been promoted to become a director of TR HIGH INCOME TRUST. Chris O'Connell, a director Deutschland, has been appointed a director of IBI CORPORATE FINANCE. ■ Larry Armstrong has been appointed senior vice-president and director of business development at FIDELITY BROKERAGE; he moves from Fidelity Brokerage Group in Roston

■ Stewart Douglas-Mann. formerly md, has been appointed chairman of the corporate finance department at GUINNESS MAHON. David Hickey, Christopher Stainforth and Andrew West have been appointed joint mds.

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Spiders spin a profit

angling from its web, a spider uses the strongest and most elastic material in the world. Proportionally, a spider's silk can support external pressures of 200,000lb per square inch and can stretch up to 135 per cent of its original length. It is stronger than steel and more flexible than nylon.

Researchers from the University of Wyoming have now cloned the genes that make the proteins found in an especially tough and elastic kind of spider's silk. Genes from the olden orb web spinner, found on the US southern coast, have been inserted into bacteria, which have produced small quantities of the proteins.

By harnessing the properties of these proteins, dubbed Spidroin 1 and Spidroin 2, an array of new kinds of super-tough, elastic materials could be developed, says Randolph Lewis, the molecular biologist who heads the Wyoming research group. He reported his discoveries at a recent inecting of the American Chemical Society.

Lewis says the proteins are the ideal material for super-thin sutures that would cause minimal scarring in surgery. They could also be used for artificial tendons and ligame that could withstand the body's

demands, yet still bend.
So far, Lewis's group has only produced tiny amounts of the proteins in genetically altered bacteria. The next step is mass production. "With large-scale production it will be possible to start making fibres for testing in various applications,' says Lewis.

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Other academic and military scientists in the US are also examining the unusual properties of proteins found in spider silks, although the work has not yet attracted commercial companies. However, some are likely to take an interest if researchers can mass produce and then spin the proteins into real thread.

Marjorie Shaffer

hey jumped for joy in Kalgoorlie, centre of the new Western Australian gold rush when owners of the Karpa Spring mine announced that test results showed its ore contained nearly 10 times more gold than usual for mines in the state. Joy soon turned to shock when the fraud squad was called in.
Karpa Spring had been sold and
drilling by the new owners, Noranda, Canada's biggest natural

resources group, and a small Australian company, Perilya, showed the mine had scarcely any gold. Three people eventually appeared in court. Some vital evidence for the successful prosecution case was

provided by John Watling. His analysis showed that the first sample from Karpa Spring – with the high gold content – contained gold from two sources. One must have been added artificially.

"Salting" a gold mine, by adding precious metal from elsewhere, is a confidence trick as old as the industry itself. But it will be much more difficult to avoid detection from now on, thanks to Watling and his colleague, Hugh Herbert, scientists at the Western Australian Department of Minerals and Energy's Chemistry Centre in Perth. They have developed an analyti-cal process that gives every mine a

unique "fingerprint". Its basis is the fact that each of the earth's geological regions has unique characteristics in terms of the minerals present and the pattern of their association with other minerals. Gold from a particular region, sometimes even from a particular mine, has its own identity. And, as with human fingerprints, the technique can be used in a courtroom to show a jury patterns on a sheet of paper to com-pars one gold sample with another. This technological breakthrough affects not just salters of mines and gold thieves: it will make life much more difficult for fraudsters and drug barons too. Watling hopes that the work will result in much of the world's gold being fingerprinted so that its origins can be pinpointed with certainty. It will cease to be an untraceable international currency.
This could, for example, make laundering illegal drug receipts

more difficult. One way in which illegal drug rings move their money into the hanking system is to buy exhausted gold mines. Stolen gold is bought with the illicit cash and mixed with dirt and possibly some metal. The metal goes to a local refinery, which has no way of knowing it is not newly-mined gold. When it leaves the refinery, it has become "legal."

Watling, a British geologist and geo-chemist, first successfully put his theory to the test in 1975 when four tonnes of gold were found at Heathrow airport in London, dis-



Worth its weight in gold

A 'fingerprint' test for substances is beating fraudsters, thieves, and money launderers, writes Ken Gooding

guised as a consignment of lead.
Watling was working in Johannesburg at the South African Council
for Scientific and Industrial to where it was grown through the nutrients in the water and fertiliser — the plant's "signature" is determined by what has sustained it. Watling was working in Johannes-burg at the South African Council for Scientific and Industrial arch. He showed that the gold came from a mine near Welkom in South Africa and the owner, Anglo American Corporation, eventually got back its precious metal.

It is only recently that he and Herbert perfected the technique, using an A\$600,000 (US\$425,000) laser ablation, inductively coupled, plasma spectrometer. Only a tiny trace of gold is required. The sam-ple is cut by a laser linked with the spectrometer which identifies the trace elements present.

Today, defence lawyers in Western Australia no longer question the validity of the technique. Wat-ling and Herbert have been asked to give evidence in 20 gold theft and fraud cases in the past two years, but most defendants changed their pleas to guilty once the scientists showed their evidence.

Twenty gold-producing countries around the world have asked Watling to carry out work for them. The technique can be applied in many other ways. Cannabis can be traced

Also, where routine blood testing of employees has to be carried out at mines or process plants for such substances as lead, cadmium, mercury and arsenic, the technique

pinprick) instead of the 10 millilitres usually needed. Watling was asked to fingerprint the artefacts at the Angkor Wat and Preah Khan temples in Cambodia. Artefacts are stolen at ancient sites all over the world, but where, for example, a head has been cut from a statue and definitive fingerprinting could prove which statue it came from, "collectors would not be

could be used by a nurse who would

take only 20 microlitres of blood (a

so willing to buy and it might not be so worthwhile for such things to be stolen", says Watling. He worked with the Australian pearl industry which was worried about the way some cultured pearls were discoloured. This project cost A\$3,500 and in the past 14 months

Now, Watling is fingerprinting diamonds. De Beers, which dominates the industry, last month delivered a consignment of uncut diamonds from around the world to test whether the technique can be used to distinguish them.

However, all this work must be completed by July 1, when the Chemistry Centre becomes a profit centre and it will be impossible for him to carry on as before, doing much of the work in his free time but using the centre's equipment.

He hopes to find sponsors to take the technique into the private sector. It would, he suggests, require A\$3m to buy a plasma spectrometer, rent some space, hire three peo-ple - and himself, full-time - to take the new business through its first 18 months.

Apart from building up a library of gold fingerprints, Watling has been working on a computer programme that could take over from him the job of interpreting data from the spectrometer. When that is perfected, he says, there could be a has saved the industry number of linked gold fingerprint-A\$1.5m, equivalent to 2 per cent ing centres around the world.

Technically Speaking

Healthcare's **Holy Grail**

By Daniel Green

companies have a problem: their customers want value for money. This yould be taken for granted in other industries. But it is news to the drugs sector because not long ago,

doctors decided which pills to prescribe and someone else paid without question. Now, those who do pay - governments, employers paying

health insurance premiums, and insurance companies paying drug companies - are flexing their muscles and pushing down drugs' profit margins.

The industry's solution so far

has been to pour billions of dollars into buying health management organisations and pharmacy benefit managers, the middlemen of the business. Last summer, Merck paid \$6bn (£4.10bn) for Medco; ear-lier this mouth, SmithKline Beecham paid \$2.3bn for Diversified Pharmaceuticals Services.

Other companies such as Pfizer and Bristol Myers Squibb have preferred alliances to takeovers, but the intention is similar: to force the middlemen to promote a narrow range of products.

Such an approach would be doomed to fail in most other industries. Which kind of insurance broker would you prefer to deal with: one that peddled one company's products, or one that could offer the best product for

your circumstances? It is not easy for the drugs industry to convince customers that it is offering good value. Once, the sales pitch discussed safety and effectiveness, and clini-cal trial results provided the facts. Now, the buyer wants to know whether the deal is good, but there is no reliable body of economic data.

Everyone recognises that there is more to a good deal than price. One anaesthetic may be cheaper than another, but if it takes longer for the patient to recover from the operation, the extra cost of an overnight stay outweighs the saving on the drugs bill.

According to Jan Leschly, the new chief executive of SmithKline

Pharmaceutical Beecham, providing the right kind of healthcare for "managing" diseases is better than curing them. But disease management relies on a firm knowledge of health economics. What are the patterns of drug use and the costs of different levels of treatment? How and why do hospitals and doctors vary in their costs per patient, per disease type and a host of other measures?

Some of this information is in the hands of drugs companies. Much more is held by, for example, health insurers. Like all insurers, they need to know actuarial and demographic figures to charge a profit.

Pharmacies, too, have information that the drugs companies do not. Dispensing data could be valuable to a drugs maker in the way that point of sales data from a supermarket is useful to a soap powder manufacturer: rapid feed-back of the level of demand helps in the management of any manufacturing business.

Then there are other drugs companies which, in the right alliances, could exchange information

with partners. If any one big drugs company could combine these information sources, it would have the build-ing blocks for a sales pitch that was as convincing economically as clinical trials are for safety and effectiveness. At the same time, it could avoid the accusation that customers were forced to buy its pills simply because the middle-man was pushing them. It could offer doctors, hospitals, employers and governments the real holy grail of healthcare reform: a treatment that was rational in terms of safety, effectiveness and cost.

Of the large pharmaceutical yet to make public its strategy. It has plenty of cash, a distaste for takeovers and an image of itself as the world's foremost drugs

Whichever company succe in pulling off alliances to exchange information could claim to have leapfrogged its rivals. It would offer customers what they wanted - a recipe for success in any business.

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Barber ruling put to the test



opinions were given recently by the European Court of Justice in two test cases aristwo test cases aris-

the equalisation of pensions. The court is examining the compatibility of methods of pension equalisation adopted by occupational pension funds post-Barber with equal pay rules. The first case concerned the

occupational pension fund of Avdel Systems and focuses on the equalisation of benefits in 1991 referred to the ECJ by the Bedford industrial tribunal.

The second involved similar questions from the Hague cantonal court concerning equalisation of the pensionable age for employees of the Royal Dutch Shell group occupational pension fund in 1985.

Advocate General Walter Van Gerven said it followed from Barber that sex discrimination in occupational pension schemes must be abolished.

The central question in the present cases was whether and, if so to what extent, an occupational pension scheme can equalise pension ages to take account of Barber by raising the pensionable age for women rather than lowering it for

Each of the pension schemes had chosen to raise the normal pensionable age for women which meant female employees in future had to remain longer at work to gain a full occupational pension. In the Avdel case, the ECI was

asked whether it was inconsistent with the equal pay rules for an employer to replace different normal pension ages for men and women of 65 for benefits received in respect of particular periods of service. These include: • after the date of equalisation

on July 1 1991; before the date of equalisation, but after May 17 1990 (the date of the Barber judgment); and before the 17 May 1990.

In the Dutch case, equalisation was in 1985 before Barber and the pensionable ages were raised from 55 to 60. In response, the Advocate General said the ECJ should rule that

it was not contrary to the equal

pay rules for an employer to raise

the pensionable age for women

Preliminary rather than lowering it for men in respect of future periods of service after Barber and after the date of equalisation.

EU law does not preclude a reduction of benefits provided that the level of benefit is the same for male and female employees. To rule otherwise would amount to an undesireable interference in a policy area presently within the competence of member countries. European law also does not preclude such equalisation applying to periods of service completed before Barber.

But, in respect of periods of service between May 17 1990 and the equalisation date (where later), it is necessary to increase the level of benefits of the disadvantaged sex because those rules form the only valid frame of reference for direct enforcement of the principle of equal treatment, pending the adoption of new rules to remove the discrimination.

In answer to other questions from the national courts, the Advocate General said that there was no obligation on the employer to minimise the adverse conse quences to women whose benefits are affected by the employer's decision to eliminate the difference in pension ages.

In particular, an employer was not permitted to maintain transitional arrangements agreed before Barber under which a limited group of females enjoyed a lower pensionable age of 55, while the age for men was 60, with regard to periods of service after May 17 1990, as in the Dutch case.

However, an employer could only justify a cut in benefits paid to women during the period after Barber and before equalisation in exceptional circumstances.

It is for the national court or tribunal to assess whether factors which have no connection with sex discrimination and which reoresent a need relating to the existence of the business or the solvency of its occupational pension scheme justify a restrictive implementation of the principle of equal treatment. But they must ensure the principle of equal treatment is

not restricted unnecessarily. C-408/92 and C-28/93, Smith v Avdel Systems and Van den Akker v Stichting Shell Pensioenfonds. opinion AG Van Gerven, 4 May

BRICK COURT CHAMBERS,

Robert Rice on disarray in UK competition policy after a pro-industry shift by Michael Heseltine

ecent inquiry reports from the Monopoly and Mergers Commission point to a significant shift in UK competition policy. The MMC has adopted a pro-industry approach which threatens a rift with the Office of Fair Trading, the competition

The change in policy was inspired by Mr Michael Heseltine, trade and industry secretary. Competition officials and other advocates of a stricter policy believe the Department of Trade and Industry and the MMC have relaxed policy to help create strong UK champions capa-

ble of competing in global markets. The growing frustration of competition officials and consumer organisations is echoed at Westminster, where influential backbenchers led by Mr John Watts MP, chairman of the Commons Treasury Committee, have set up a lobby group, the Competitive Forum, to press for tougher consumer-oriented competition pol-

icy and reform of the MMC. When he took over at the DTI, Mr Heseltine signalled his preference for industrial over competition pol-icy. His long-awaited competitiveness white paper, due next week, should confirm that preference.

Mr Graeme Odgers, the businessman who took over as chairman of the MMC a year ago, appears to share his views. Last week he said he was "four-square" with Mr Heseltine on privatisation, competi-

tiveness and deregulation. Since his arrival at the MMC. Mr Odgers has also tried to instill a consistency of approach by encouraging a collegiate atmosphere among the Commission's 35 members. The result, say critics, is an increasingly doctrinaire style which places the interests of firms under investigation ahead of those of the public and consumers.

This shift appears to be causing alarm at the OFT. Under Sir Bryan Carsberg, director general of fair trading, the OFT has taken a strongly consumerist approach to

competition policy. Sir Bryan gives the impression that he believes markets should be free of any anti-competitive restraints unless they can be shown to benefit the consumer. He has made a number of referrals to the MMC recently, among others on fine fragrances and ice cream, which demonstrate his particular concern with vertical restraints (those affecting the chain of supply to the marketplace), such as mea-sures tying in retailers to suppliers.

But the MMC under Mr Odgers appears to take the view that that vertical restraints and anti-competitive practices must clearly damage the consumer interest before it will interfere in an industry.

Watchdog barks but the MMC moves on

competitive advantage should be allowed to profit from their investment, innovation and enterprise, he said last week. This increasingly laisser faire approach by the commission puts it on a direct collision course with the OFT.

The clearest evidence of the shift in competition policy comes from recent monopoly inquiry reports. Some competition lawyers and economists trace the change back to the report in March 1989 on the supply of beer, when robust recommendations made by the MMC aimed at weakening the control of the brewers over pubs were rejected by the government following intense lobbying by the industry. Since then, critics say, the MMC

has taken a much less interventionist approach and shown far too much respect for the views of the firms under investigation, an approach reinforced by the arrival of Mr Heseltine at the DTI and Mr Odgers at the MMC.

The pattern began with the 1992 report on the supply of new motor cars, criticised by consumer groups for relying too heavily on manufac-turer's own survey data and consumer satisfaction indices to establish that there was little wrong with the present system of car dealer-ships and after-sales service.

The MMC again found itself under attack in November last year over its report on fine fragrances which concluded "snob yatue" high prices and exclusivity - were more important to consumers than value for money, so allowing leading perfume houses to continue ref-

using supplies to cut-price retailers. That was followed in March by the ice cream report which found that, although the three leading manufacturers had more than 90 per cent of the market for wrapped ice creams, the system of freezer exclusivity - providing free freezer cabinets to shops on condition they are not used to stock rival suppliers' ice cream - did not limit consumer choice by keeping rival products out of smaller shops.

The unease at these reports

should be underlined next month when the report on recorded-music is expected to clear the record industry of acting together to keep the price of compact discs



Michael Heseltine (top left) and Graeme Odgers of the MMC (bottom left) are on a collision course with Sir Bryan Carsberg (right) and his OFT

in Britain artificially high. There have been additional reports on mortgage valuations. newspaper supply, television broadcasting services and animal waste all of which have drawn criticism for producing either half-hearted or unworkable recommendations to

remedy adverse findings. Mr Stephen Locke, the Consumers' Association director of policy, says that at the heart of these reports seems to be a confusion between the interests of industry in general and the interests of existing companies. But there is no guarantee, he says, that what existing companies want will necessarily be in the interests of the productive sector of the economy

Mr Bill Bishop of Lexecon, the

economic consultants, says you only have to contrast the beer report with the recent ice cream report to see the change of approach. On beer, the commission found the system of tied public houses did damage the public interest. It rejected the industry's argument that, if consumers did not like the choice of beer in one pub, they

could go to another. But on ice

cream it reached the opposite con-

clusion. Mr Derek Ridyard, associate director of National Economic Research Associates, says the dispute is really about the extent to which one supplier should be obliged to give competitors a leg-up

Even in the case of ice cream

nomic arguments for saying that Unilever had taken the initiative and developed the market and and developed the market and invested in freezer cabinets, and that all Mars had to do to compete was take the same risks. There was a feeling that Mars was simply trying to use the competition laws as a short cut, he says.

Mr Ridyard believes that, if there have a change in approved.

has been a change in approach then it has come from the OFT which has become more hawkish on vertical restraints under Sir Bryan. He has referred areas such as recorded music and ice cream which had been looked at and rejected for referral by his predeces. sor, Sir Gordon Borrie.

Mr Christopher Bright, a partner in City solicitors Linklaters & Paines, says it is easy to understand the frustration felt at the OFT at these developments. But he believes the OFT's main problems lie with the DTI rather than the MMC.

wice in February last year Mr Heseltine rejected Sir Bryan's advice to refer mergers to the MMC. The first case concerned the acquisition by GEC of the Philips infrared com-ponents business. The second con-cerned the hostile bid by Airtours for Owners Abroad. Mr Heseltine considered the issues raised did not

justify referral. These actions were not excep-tional. Other trade secretaries have gone against the advice of the director general - in all in 11 cases over 20 years, says Mr Bright. But these instances suggested a swing away from the approach of former trade secretaries such as the late Mr Nicholas Ridley and Mr Peter Lilley one of "if in doubt, refer"

Further evidence of tension between the DTI and the OFT came in February this year when Mr Heseltine ordered Sir Bryan to stop his investigation into bus services on the Isle of Arran. It was the first time a trade secretary had ever used his powers to overrule a director general in that way.

But the real problem for the OfT is that the DTI seems to have completely lost interest in competition policy. Merger referrals are at an all-time low. Only three mergers have been referred by Mr Heseltine to the MMC in the past 12 months. When the MMC publishes its recorded music report next month there will be only two monopoly inquiries on the go. The DTI is also dragging its heels on reform of the law on restrictive practices and abuses of market power.

These developments are not lost a on UK companies, says Mr Bright. No wonder OFT officials are said to be concerned at recent events.



The singular art of success

o much, in any successful artist's career, is a matter of luck.

even here in England, most especially here in England, there is no end of figurative Talent will out, we say, to which the reply can only be up to a point, Lord Copper. It is not to begrudge the Israeli painter, Avigdor Arikha, his long and continuing success to take his current exhibition to make the point. Now 65, he has been showing regularly and consistently around the world -Tel Aviv, London, Zurich, Stockholm, Paris, New York, Amsterdam, Tokyo, Los Angeles, the Venice and Sao Paulo bien-nales, definitive group exhibitions from Washington to Vienna – for more than 30 years. Good luck to him.

It is only when we consider the actual nature of his work that we come in for the surprise. For here is no darling of the avant-garde, no conceptualist or latter-day surrealist, no neo-dada, post-Duchampian thought-provoking poseur. He is nothing more, nothing less, than a painter of unexceptionable portraits, figures and still-life.

William Packer reviews the work of Avigdor Arikha and other refreshingly non-avantgarde artists

with a delicate touch and a quick eye for the charming gesture and the intimate detail. He is, in short, a somewhat old-fashioned and conventional figurative painter and none the worse for that.

Who would then say that representation is old hat - Arikha paints old hats rather well: and who can begin to account for such critical success? How is it that he should be picked out for such shows as "European Painting in the 70s" (Los Angeles 1974), or "Art as Art (Venice Biennale 1982), or "Raphael and French Art" (Paris 1983)? And how does he come to be painting the portrait of the keeper of the modern collections at the Tate?

It is not that Arikha is no good. He is a very clever painter, with the gift of being able to make the simplest line or smudge of paint, or twist and scrape of the brush register as the true and lively intended image. His prints are especially impressive in this way, with the subtlest effects achieved by the simplest means. His chief fault is only that he seems in the newer work a shade complacent in his cleverness, notably in his drawings and paint ings of the figure and the mude, which proclaim an accuracy and attention of observation which are no longer there. He remains an interesting painter, but

painters at the very least as interesting in their work as he, and certainly no less competent. We have only to go round any summer show of the Royal Academy, or the prize exhibition of the Portrait Award at the National Portrait Gallery, both of them coming up next month, to be presented with the evidence. Yet who among those painters of the figure or the landscape is ever likely to be picked out for any British Council tour abroad, or inter-national survey at the Grand Palais or Venice Biennale, or asked to paint a por-

trait of the deputy director of the Tate?
The annual show of the Royal Society of Portrait Painters is another case in point. It may have as always rather more than its fair share of jokes in doubtful taste, but in the last few years, notably under a recent president, David Poole, it has revived remarkably from its former moribund state. Younger members have been recruited from the Portrait Award - Jeff Stultiens, a former winner, now indeed the Society's secretary – and the membership generally stiffened.

Many of the works on show are very good by any contemporary measure. Howard Morgan, the current star, may continue to disappoint his ambition is matched as yet only by his self-indulgence. If only he would give as much attention to drawing as to overall effect, and yet his drawings themselves betray the inadequacy. Directly alongside, three portraits by Michael Reynolds offer a merciless contrast, one, of a seated woman in a white jumper, as fine a portrait and as interesting a new painting as any we might see in a year. Its water-colour study is exquisite.

Thomas Coates, hung at the other end of the exhibition, is another hero, an artist of true flair whose energy and variousness sometimes tend to obscure his underlying distinction. He is a remarkable draughtsman. I only take exception to an occasional eccentricity in his choice of subject. Were he to come down within the speed limit, more might be able to judge him at his true worth, as he flashes past. Daphne Todd, Hans Schwarz, John Ward, Tilly Willis and Martin Yeoman are among the others whose work stands out. John Boyd and Susan Ryder successfully take on the conversation piece, that most testing of

And do we find a Reynolds or Coates among the recent acquisitions at the Tate, or on tour with an Arts Council selection. or included in a survey of current painting at the Hayward Gallery? I only ask.

Avigdor Arikha: Marlhorough Fine Art, 6 Albemarie Street W1, until June 4. Royal Society of Portrait Painters Annual Exhibiffort, The Mall Galleries, The Mall SW1,



'Self Portrait in Jeans' by Avigdor Arikha

Oper screams "Filthy Jew! Bastard! Yid! Pig! Death to the Traitor! Death to the Jew!". A foyer

exhibition of poster-portraits includes a tion, no one raises an evebrow.

dence of the Dreyfus Affair, which divided French society 100 years ago and set the racist tone for 20th century Europe. To mark the Dreyfus centenary, the Deutsche Oper has staged the world premiere of Dreyfus - The Affair, with music by the Swiss composer Jost Meler and a libretto by George Whyte, a Hungarian-born Jew who has master-minded a series of cente-

In addition to the opera and exhibition, there will be a Dreyns ballet with a new score by Schnittke and a musical satire using anti-Semitic songs of the period. orchestrated by Berio and performed by Ute Lemper. All these will come together

With racist attacks again making news across Europe, the Dreyfus Affair is both topical and salutary. The challenge facing the authors of the new opera was to turn a tale of political and moral significance into a successful work of art. The mere fact that an anti-racist opera was being premiered in Berlin was enough to guarantee the approval of the capacity first-night audience, which included local dignitaries, Jewish leaders and members of the Dreyfus family. By the second performance, the euphoria had subsided, and the work's flaws were all too clear.

Dreyfus: a grim centenary

Opera in Berlin/Andrew Clark

The chorus of Berlin's Deutsche caricature of a Jew's head, depicting him as greedy, dishonest and parasitical. In the city where the Nazis plotted the final solu-

But this is not another example of German anti-Semitism. It is documentary evi-

in Basie in October. Alfred Dreyfus (1859-1935) was a Jewish officer in the French army. In 1894 he was falsely accused of spying for Germany, court-martialled and exiled. Despite evidence proving his innocence, a retrial failed to clear his name. After a campaign by his wife and influential supporters, culminating in Emile Zola's celebrated pam-phlet "J'accuse", Dreyfus was released and eventually rehabilitated.

The case uncovered a violent strain of anti-Semitism in France. Half a century later, Dreyfus's grand-daughter was among the French Jews sent to die at Auschwitz. In 1988, Dreyfus's grave in Montparnasse was desecrated. In a country renowned for its reluctance to delve into the more uncomfortable aspects of its past, the case still touches a raw nerve. It is to Germany's credit, and France's shame, that Berlin has kick-started the Dreyfus centenary.

sources and making use of nightmarish flashbacks, offers a resumé of the Dreyfus case - public humiliation, torture and solitary confinement, an appeal to the Pope, the discovery of the real spy, establishment cover-up, re-trial and release.

In an unbroken span of 90 minutes, such prejudice and personal suffering should hit the audience like a sledgehammer. But Dreyfus is never allowed to develop a personality: he remains typecast as a symbol of injustice, his wife Lucie a symbol of resistance. Zola's "J'accuse" aria is frustratingly repetitive. Minor characters like the traitor Esterhazy are cardboard baddies. Far from seething with dramatic con-trast, colour and tragedy, the opera falls to rise above the level of righteous polemic. For this, Whyte, Meier and the stage director, Torsten Fischer, bear equal responsibility. Whyte, most of whose fam-

With racist attacks again making news across Europe, the subject is both topical and salutary

ily were gassed by the Nazis, appears to have been too close to his subject. The opera was his baby, the product of years of struggle. He has not taken the leap of imagination which transforms human experience into art: his material is more the stuff of musical documentary.

Meier's pale Bergian modernism wears less well than his previous operas - the best of which, Augustin (1988), deserves a wide hearing. The chansons and dances of the Moulin Rouge scene have the right sort of brash vulgarity, but the most tell-ing moments are when Meier refines the music down to the barest thread. The overall impression is of competence rather than inspiration.

Fischer's production, designed by Andreas Reinhardt, unfolded on a triangu-lar platform and made theatrical use of paper walls. What it lacked was a sense of place, of genuine human feeling. Paul Frey's Dreyfus came across as a rather ordinary chap. Aimee Willis was the spirited Lucie, Artur Korn a shadowy Zola. A large supporting cast and chorus went through the motions of rage and outrage. The performance I heard was adequately aws were all too clear. conducted by the composer, stepping in for an indisposed Christopher Keene.

Concert/John Allison

Mahler's Sixth

by illuminating accounts of music from the early years of our ended with Mahler's Sixth Symphony (1903-5), given on Sunday by the London Symphony Orchestra under Michael

The LSO and its principal conductor embark on a complete cycle of Mahler symphonies in the autumn as part of the orchestra's 90th birthday celebrations, and this concert provided both a tantalising foretaste of that series and a welcome opportunity to hear one of the less frequently performed works.

The Sixth Symphony, a cornerstone of modern orchestral music, was once regarded as "difficult"; no British orchestra played it until 1950. Most of Mahler's symphonies end affirmatively, but the life-and-death struggle of the Sixth ends in catastrophe. With its atmosphere of unreal, almost expressionist fantasy, it is a work one stands back from, and Tilson Thomas was persuasive in drawing the audience in.

acteristic all-out intensity, favouring fast tempos and lush orchestral sound. The forth a stream of lustrous playing. The opening march had grim power and bite, a" theme could hardly have been passionate. Indeed, the LSO excelled itself with playing of great beauty and

This was a performance that left very few reservations. But although Tilson Thomas caught the heaviness the composer directs in the Scherzo (placed second here), the movement sounded too deliberate. It lost momentum, and conse quently some of its horror.

Perhaps the Barbican Hall acoustics vere to blame, but at every appearance the cowbells clattered intrusively, instead of providing a hazy echo of Alpine

Overall, though, Tilson Thomas welded this gigantic work together impressively. His approach is at once emotional and clear-headed, qualities Mahler conductors require in equal measure.

Alastair Macaulay hails the Maly Theatre's three-part production in Glasgow he climax of the Maly Drama stage, but also the tremendous way in that Igor Ivanov (so different in his lowerTheatre's current tour has been its three-week residence in Glasits three-week residence in Glas-

gow. Only in Glasgow, as part of its annual Mayfest splurge of artistic activity, has this Russian company been able to present all eight plays in its current British repertory: four at the Citizens Theatre, four at the Tramway. This is only just, for it is the Tramway's programme director, Neil Wallace, who has worked hardest to plan the Maly tour. And it is only at the Tramway that the greatest Maly event of all has occurred - its three-part, all-day production of Dostoyevsky's The Devils.

To carry superlatives further, I add that this is the most marvellous theatrical event I have yet seen this year. It is also the first adaptation of a novel I have seen that can be compared with the RSC's 1980 Nicholas Nickleby. The scenery - by Eduard Kochergin - is wonderfully effective, indeed eloquent, but what carries all three parts of The Devils is the acting. Not only are Dostoyevsky's psychologically extraordinary studies brought onto the scene upon scene.

Thus, the first time we see Piotr Vernsky (actor: Sergei Bekhterev), at Mrs Stavrogin's house, we see him as a socially awkward blabbarmouth, newly returned home, who tries, fairly disastrously, to ingratiate himself. Scene by scene, however, he emerges as a horrifying nihilist, a pathetic here-worshipper, a heartless planner of murders. And we are still seeing new sides of him in the trilogy's long penultimate scene, during which he engages in half-hudicrous religious and epistemological debate with Kirillov, often thereby delaying his own purpose, which is to egg Kirlliov on into committing sui-

This kind of plasticity of characterisation originates with the genius of Destoyevalty, but it is heartstopping to see it achieved in the flesh onstage. I was amazed at the robust diablerie - dancerous, colossal, warm, vulnerable, by turns -

the kind of towering force you can find in records, photos and accounts of Chaliapin; yet not only have I never really encountered it onstage before, but Lebiadkin is eventually only a minor role.

Fully as fine are the performances of Piotr Semak as Stavrogin (the work's most heroic and self-doomed character), Sergei Vlasov as Shatov (whose death is the most affecting of all because his life has been irradiated by the most hope), and Sergei Knowhey as Kirillov (whose mad obsession with self-extinction is seen as noble, funny, intellectual, pointless, vain by

It is astonishing that acting in Russian. can be so enthralling to non-Russianspeakers. The Devils makes one grateful for surtifles, and impatient of them too, they are so needed and helpful amid a complex plot, yet they are also so inadequate - and worst, they take one's eves off the stage. The Maly actors are performthis is not particularly "physical" theatre. These actor make Russian sound as beautiful as great singers do; and their vocal eloquence catches character, emotion, mood, in astonishingly natural abundance. The staging is by the Maly's director, Lev Dodin. Praise for the acting is also

praise for him, but I also praise the brilliant use of silent imagery (such as the twice-seen view of a young girl slowly climbing a ladder - which in due course makes alarming sense) and various sound effects (such as the distant drumming that so excitingly catches the pounding of Stavrogin's beart during his great confe I have only space to skim the surface of this enthralling production. The Devils must, must, be brought back to Britain, to other cities. Lucky Glasgow.

The Maly Drama Theatre tours to Newcas-tle this week and to Nottingham next week.

■ AMSTERDAM

Concertgeboure Tonight: Sergiu Cellbidache conducts Munich Philhemponic Orchestra In Bruckner's Fourth Symphony. Thurs: Oliver Knussen conducts Hague Philharmonic Orchestra in works Shellon: Sat, next Mon and Wed: Paul Freeman conducts Berlin Symphony Orchestra in a Beethoven cycle, with plano soloist Derek Han. Sun: Buenos Aires Philharmonic Orchaetra plays Gianno, Sibelius and Mendelssohn, with violin soloist Saskia Viersen (24-hour information service 020-675 4411 ticket reservations 020-671

Beurs van Beriage Tomorrow, Thurs: latvan Parkanyi directs Netherlands Chember Orchestra in works by Vanhal, Haydn. Dittersdorf and Mozart (020-627

Muziektheater Thurs, Sun: Nettierlands Opera presents Peter Schal's new work Symposion, conducted by Hans Vonk and staged by lan Strasfogel

(020-825 5455)

■ BRUSSELS Palais des Beaux Arts Tonight (Conservatoire): Oriando Quartet

plays string quartets by Beethoven, Brainns and Isang Yun. Thurs: Eri Klas conducts Belgian National stra in works by Haydn, Mozait, Denisov and Bizet, with oboe soloist Heinz Holliger (02-507 48200) "I mathegier Tomorrow, Thurs, Fri,

Sat: Belgian experimental choreographer Anne Teresa De Keeramaeker and her dance group Rosas present a three-part programme entitled Kinok, including De Keersmaeker's latest creation aet to music by Thierry de Mey (02-218 5959/02-218 1211)

■ GENEVA

Victoria Hall Tomorrow, Frt. Armin Jordan conducts Orchestre de la Suisse Romande in works by Bach-Webern, Berg and Schumann, with violin soloist Frank Peter Zimmermarin (322-311 2511). Thurs: Jacek Kaspszyk conducts Geneva Chamber Orchestra in a Beethoven programme (022-310 9193) Théâtre de Carouge Comeille's Le Cid, directed by Simon Eine. runs daily except Mon till June 7 (022-343 4343) Comédie Eugene Labiche's play Un chapeau de paille d'Italie runs daily except Sat, Sun and Mon till May 28 (022-320 5001)

■ GHENT de Visamse Opera Fri, Sun

afternoon, next Fri: Stefan Soitesz conducts Willy Decker's production of Billy Budd, with cast headed by Michael Kraus, Nigel Robson and Gldon Saks (09-225 2425)

■ SAINT LOUIS

Dostoyevsky's 'The Devils' brought to life

Opera Theater of Saint Louis, one of the world's most pleasurable opera festivals, opens its new season on Sat with the first US performance of Leonard Bernstein's revised version of Candida, Stephen Lord conducts a staging by Colin Graham. This year's other productions are Falstaff conducted by Andrew Litton (May 26), Iphigenle en Tauride starring Patricia Racette. (June 5) and a revival of Conrad Susa's 1975 opera Black River (June 16), All performances take place

at the Loretto-Hilton Center .

■ SALBURG

(314-961 0171)

The Chicago Symphony Orchestra returns to Salzburg to give three concerts over Whit weekend (May 21-23). The opening programme of Brahms and Straviosky is conducted by Daniel Barenbolm. Georg Solti conducts Beethoven and Stravinsky on the following two evenings (0662-841307) .

VIENNA

CONCERTS Musikverein Tonight Carlo Maria Glutini conducts Vienna Philharmonic Orchestra in works by Beethoven. Tomorrow: Christian Altenburger,

Nobuko knai: Truis Mork and Bruno Canino play chamber music by Mendelssohn, Brahms and others. Thurs: Pinchas Steinberg conducts Austrian Radio Symphony Orchestra in Havdn. Richard Strauss and Musorgsky. Fri, Sat Iona Brown directs Academy of St Martin in the Fields. Next Tues: Sherrill Milnes song recital (505 8190) Konzerthaus Tonight, tomorrow: Janos Starker cello recital (712

tsoper Tomorrow: I Puritani with Edita Gruberova, Mario Giordani and Dmitzi Hvorostovsk Thurs: Der Rosenkavalier with Gwyneth Jones, Anne Sofie von Otter and Kurt Moll. Frt: Prokofiev's ballet Romeo and Juliet. Sat: Die Zauberflöte. Sun and next Wed: Don Giovanni with James Morris and Marie McLaughlin. Next Mon and Fri: Andrea Chenier with Eva Marton, Giuseppe Giacomini and Piero Cappuccilli. June 3: new production of Hindemith's Cardillac. June 5, 12, 18, 26: Wagner's Ring. . June 21, 24, 28: Riccardi Muti conducts Le nozze di Figero, with Ruggero Ramondl and Bryn Terfel (51444 2955) Theater an der Wien May 26, 28, 30: Claudio Abbado conducts revival

of Jonathan Miller's 1991 Vienna Festival production of Le nozze di Figaro, with Ruggero Raimondi, Lucio Gallo, Cecilia Gasdia and Barbara Bonney (586 1676) THEATRE

Highlights of the coming formight are two losen productions - The Wild Duck from Hamburg's Thalia Theater directed by Jürgen Himm (tomorrow, Thurs, Fri, Sat at Ronacher) and Hedda Gabler from Berlin's Schaubühne directed by Andrea Breth (May 22-25 at Volkstheater). Both productions are quests of the Vienna Festival (586 1676). A third libsen production, Peer Gynt directed by Claus Peymann, is in repertory at the Burgtheater (51444 2959)

■ WASHINGTON DANCE/MUSIC

 San Francisco Ballet opens. a week of performances tonight at Kennedy Center Opera House.

by Tomasson and Balanchine (202-467 4600) Mikhail Baryshnikov's White Oak Dance Project is in residence at Warner Theatre from tornorrow till Sun, with choreographies by Mark Morris, Jerome Robbins, Twyla

Repertory includes choreographies

 James DePriest conducts National Symphony Orchestra tonight in a Beethoven programme at Kennedy Center Concert Hall. Pinchas Zukerman is conductor and violin soloist in a Dvorak programme on Thurs, Fri, Sat and next Tues (202-467 4600)

Tharp and Merce Cunningham

(202-432-seat

THEATRE • The Winter's Tale: Britain's Royal Shakespeare Company is in the final week of its residency at Eisenhower Theater (202-467

A Room of One's Own: Elleen Atkins in her acclaimed portrait of Virginia Woolf. Till June 19 at Arena Stage, Kreeger

Theater (202-488 3300) The Baltimore Waltz: the 1992

Obie Award winner by Paula Vogel takes us on a grand tour of Europe with an ailing man and his resourceful sister. Till June 12 at Studio Theater (202-332 3300) The Revengers Comedies: Alan Ayckboum's two-part comedy, directed by Douglas Wager. Till June 12 at Arena Stage (202-488 3300) Ghosts: Ibsen's play about social and religious hypocrisy, directed by Irene Lewis. Till June 6 at Center Stage (410-685 3200)

● Hot Mikado: David Bell's rousing remake of the classic G&S operatta is at Ford's Theater (202-347 4833) Hot'n'Cole: a Cole Porter

musical revue comprising more than 50 great songs by the master of American popular music, Till May 29 at Olney Theater (301-924 3400)

ZURICH

Opernhaus Tornorrow: Lamberto Gardelii conducts final performance this season of Andrei Serban's new production of Adriana Lecouvreur, with Mara Zampierl and Neil Shlooff. Thurs: Fedora with Agnes Baltsa and Luis Lima. Fri: choreographies by Bienert, Ek and Van Manen, Sati Nikotaus Harnoncourt conducts Jürgen Filmm's production of Fidelio, with Gabriela Benackova and Peter Seiffert. May 28: Hamoncourt conducts first night of Helmut Lohner's new production of Offenbach's La Belle Hélène (01-262 0909)

ARTS GUIDE Monday: Berlin, New York and Tuesday: Austria, Belgium, Netherlands, Switzerland, Chi-cago, Washington. Wednesday: France, Ger-

meny, Scandinavia. Thursday: Italy, Spain, Athens, European Cable and Satellite Business TV (Central European Time)

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es FT Reports 0745, 1315, 1545, 1815, 2345 WEDNESDAY NBC/Super Channel: FT

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t is a long time since Australia called itself "the lucky country". After the post-1987 crashes of debtladen entrepreneurs, the country has been struggling in the 1990s to cope with corporate restructuring to meet the challenge of lower tariff barriers. double-digit unemployment and low commodity prices.

But in his annual budget speech recently, Mr Ralph Willis, the self-effacing treasurer, not only invoked the old 1960s label - a reference to Australia's vast resources, spread around a small population but suggested that the nation

was about to go one better. He talked of annual growth rates at, or above, 4 per cent for the next four years; of continuing low inflation; and of the budget deficit - A\$13.6bn (£6.5bn) in the current year falling away to nothing by the late-1990s.

All this, he suggested was the product of a recharged economy and could be achieved with few government initiatives. Assets, such as the government's remaining stake in the Qantas airline, would be sold this year, raising A\$2.5bn. But there would be no increases in taxes or in the Medicare levy, Australia's national health surcharge. The biggest new expenditure

item - a four-year jobs programme, designed to tackle an imemployment rate of 10.1 per cent and scheduled to cost more than A\$1bn in 1994-95 would be funded by higher tax receipts resulting from the upturn in economic activity.

'Australia." he concluded, in a rare flash of oratorical style. "has probably never been better placed to achieve a prolonged period of high economic and employment growth."

Australians, not given to enthusiastic credulity, blinked. "A gamble on growth", decided the newspapers. "The budget's deficit figures and growth forecast are a total fudge," declared Mr John Hewson, leader of the coalition opposition. So who is right - a mild-

mannered treasurer, renowned for caution, or a wary public? In the post-budget round of seminars and speeches, Mr Willis has been anxious to spell out how unexceptional his predictions are. "I'm not a gambling man and never have been." he told Sydney businessmen. "The growth forecasts were a realistic appraisal, provided we continue to play

our cards right." He pointed out that the Australian economy was already growing at an annual rate of 4 per cent, and that the nation

The economic upturn in Australia may prove difficult to sustain, writes Nikki Tait

Growth is not the only fruit



confidence by the chamber had sustained growth rates of more than 4.5 per cent for sevhave shown improvements in eral years in the 1980s. sentiment, but only to levels However, this upturn in ecothat are "in general, satisfactory". Mr Kates worries that real interest rates (adjusted for

inflation) are rising, and that

many companies face labour

cost-related pressures - for

example, on the superannua-

tion front, as responsibility for

pension funding is shifted to the private sector. In addition,

profits growth in small and

medium-sized companies may

be lagging behind that in the

Asia - and to continue to

search for efficiency gains,

rather than invest in new

But there are more optimis-

tic voices. Mr Paul Simons.

chairman of Woolworths, one

of the nation's largest retailers.

describes the 14.5 per cent

uplift in investment as "not

unrealistic". His company's

capital expenditure has

increased from A\$150m in the

early 1990s to A\$200m in 1994,

ritics also cite a ten-

dency by Australian

companies to invest

offshore - notably in

quoted corporate sector.

nomic activity is very recent, and many people are still trying to understand it. The 4 per cent rise in gross domestic product in 1993 was largely due to a spurt in the final quarter, when growth was 1.7 per cent. Even in the cities, recessionary fears are only just beginning to fade. While chic Sydney restaurants are well-attended, they are not packed. As one Melbourne-based economist put it: "This doesn't feel like a boom."

Even Mr Willis admits that it will take a strong revival in business investment to push the growth rate up to the forecast of 4.5 per cent in 1994-95. The government's own figures predict that business investment will have grown by a miserly 1 per cent in the year to the end of June, yet Mr Willis is talking of a 14.5 per cent

rise next fiscal year. Some observers claim this is unrealistic. "It's ridiculous," says Mr Stephen Kates, economist for the Australian Chamber of Commerce and Industry. Recent surveys of business

and will head towards A\$250m next year. "I don't think we're unrepresentative . . . There comes a time when you must catch up," he comments.

Mr Bill Shields, chief econo

mist at Macquarie Bank, the Sydney-based investment bank, points out the turnround predicted by Mr Willis is "not out of synch" with experience in the mid-1970s and 1980s.

If business investment is one potential obstacle to the treasurer's objectives, a second question mark hangs over the current account. In the past, Australia has tended to lurch from boom to bust, and part of the problem has stemmed from instability on the balance of payments front, as imports have shot up. This could be a worry for the government once again: if business investment surges too late, and all at once, imports (of capital equipment and the like) are likely to get sucked in, and the balance of payments position could go badly out of kilter.

The test will be whether Australia's efforts to create a competitive, internationally focused manufacturing sector really have developed a stron-

ger export base. Third, there is the question of whether low inflation can be maintained, particularly if labour costs rise. For the past 10 years, Australia has had a centralised "wages policy", thanks to a series of accords between the ruling Labor gov-ernment and the unions. The current accord is still in place, but government efforts to encourage enterprise bargaining - that is, wage agreements struck at individual company level - mean an increasing number of workers fall outside this centralised framework.

While decentralised wage agreements can help to contain labour cost inflation, because ailing or inefficient industries are not obliged to pay a centrally agreed wage rise, it is unclear whether workers will be more aggressive in their mands if prosperous companies start to award more substantial pay increas

At the end of the day, few commentators claim that the treasurer is wrong, just that his scenario makes crucial assumptions. If the economy fails to meet growth expectations, perhaps because business investment is sluggish. Mr Willis's strategy would go awry. In that case, the govern-ment's deficit reduction target would be met only through tax increases or fairly big cuts in spending. For political reasons, the former is more likely - and that would not be so lucky.

Joe Rogaly

The young pretender



dangerous. If Mr Tony Blair succeed Mr John Smith, we shall have to consider voting Labour. The

last time I did that was in 1964, or it could have been 1966. Those days are now long gone. It is as if we have been beamed up to a different planet, with Labour or a large section of it left behind. The party may show by its selection of a new leader that it has at last caught up, that it understands how different our polity has become. If so, British public life will be transformed. We would see a break in the gloom that began to descend after April 1988, when Thatcherism saked out.

Did I say gloom? Look around. The electorate is trapped. We either continue with a moribund Tory government, or take a chance with a party many of us mistrust. Only something completely fresh, like a totally remodelled Labour party, could break such an impasse. Voters would enjoy the forgotten luxury of real choice. A majority might decide that the kindest way to treat the Conservatives would be to put them out to grass for a season or two. There would be little fear, as there was in April 1992, of Labour

The people's party might even win an overall working majority, although I would not bet on it. Just as likely, many who might have voted Liberal Democrat in 1992 but were deterred by the apprehension that that would lead to a Lab-Lib coalition will not be so put off in 1996 or 1997. Either way, the opposition would take over. The reason is plain. It is best expressed in a wry remark attributed to an unnamed Conservative MP in one of the Sunday papers. People will vote for Mr Blair, said this phantom Tory, "without feeling they are voting for Labour".

The young pretender will thank nobody for recycling that observation. It expresses what his enemies consider to be his fatal flaw. The widespread endorsement of Mr Blair's candidacy by the newspapers is also said to be resented by Labour activists. The correct response is: grow up. If Labour insists on being led by whoever is most disliked by the media, it is not serious about victory. If it only feels comfortable with whoever most accurately personifies the traditions of a party four times rejected by the electorate, it

will lose again. As Mr Kinnock would argue, the real sufferers would be the poor and the disadvantaged, the very people Labour exists help. This is not to say that Mr

human. He may or may not prove to be a good leader. Whether or not he is chosen will tell us more about the Labour party than it does about him. We already know of several counts against him, not the least of which is that he is without experience of office. If he becomes leader, he will fall under a sharper spotlight than has yet played upon his boyish young features. If he has faults of personality, they will be revealed. If not, some of the tabloids will invent them. Short of changing its name, his programme for modernising the Labour party is about as radical as you could imagine. If he presses ahead with it he risks internal rows. If he holds back, he will be derided for his

Blair is super-

fawning that has attended his putative candidacy is likely to be replaced, should he win the prize, by scepticism. His advantage is the subcon-

scious perception that his beliefs have their roots in Christianity, as did those of Mr Smith. Mr Gordon Brown, the alternative "modernist" contender for the Labour leadership, is seen in a different light. Ostensibly as reformminded as Mr Blair, Mr Brown was in early life an intellectual of the now old-fashioned socialist left. Britain is more likely to restore social democracy in the name of Jesus Christ than of Karl Marx. To be fair, Marx would not recognise Mr Brown's contemporary utter-

ances, which are similar People will vote though not identical to for Tony Blair, those of Mr said a phantom Blair. Yet the Conservative shadow chancellor's MP, without intensity, his fierce attention feeling that to his anger, his they are voting apparent lack for Labour'

of self-confiagainst him. If you voted for Mr Brown you would know that you were voting Labour. Mr Blair's philosophy is expressed in a foreword to Reclaiming the Ground, essays published last year by Hodder and Stoughton and the Christian Socialist Movement. On the cover is a photograph of Mr John Smith, who contributed the key chapter. Mr Blair's few pages demonstrate how Labour could capture ground from the other parties. Try this: "There is right and wrong. There is good and bad. We all know this, of course, but it has become fashionable to be uncomfortable about such language." Tory minister after Tory minister has tripped up "back to basics" of this

Christianity ... "Is about the union between individual and community, the belief that We are not stranded in helpless isolation, but owe a duty both to others and to ourselves and are, in a profound sense dependent on each other to

It is probable, given a long enough search, that you might find similar sentiments expressed by Mr Stephen Dor-rell, financial secretary to the treasury, or even, at a stretch cellor. This does not make Mr. Blair a closet Conservative He remains attached to Labour principles. Anyone who thinks of voting Labour if he leads it should do so with his or her eyes open. This is no left-wing Tory, but a proponent of familiar elements of Labour thinking, spoken in language that should be acceptable to southern opinion. In Reclaiming the Ground he affirms his belief in equality, adding "not that we are uniform in character or position, but on the contrary that despite our differences we are entitled to be treated equally, without regard to our wealth, race, gender or standing in society'

Those of us who can recall 1964 will remember not only the excitement that preceded the election of the then Mr Harold Wilson but also the long years of disillusionment that followed. Again, this speaks of the party more than the man. It was Labour, and the unions, that scuttled "In Place of Strife," the Wilson government's effort to bring order to labour relations. Mr Blair is likewise just a chap. He is a former barrister who has mastered a couple of prominent shadow cabinet briefs. A Labour party at ease with the philosophy he expresses would, It would refresh British poli-

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Venture capital provides lifeline to Czechs

Sir, I share Christopher Parper new prosperity", May 9) that there is a dearth of finance capital available for new enterprises in the Czech Republic. But I would like to add that there is an alternative source - venture capital, which is beginning to, and should increasingly, play a meaningful role in financing growth for small businesses. in the US and Europe equity capital is an important source of financing and nurturing new enterprises. According to the European Venture Capital Association Ecu4.2bn (£3.2bn) were raised and Ecu4.7bn were invested by European venture capital firms in 1992. Statistics

about the impact of venture

are similarly impressive. While foreign direct investhas slowed, private equity investment is taking off. Resides officially-sponsored programmes such as PHARE and the Czech American Enterprise Fund, at least half a dozen venture capital firms have sprouted up within the past year to provide financing and technical assistance to entrepreneurs. It is estimated that Ecu40m has been raised for investment by venture

firms. For the entrepreneur, venture investment has advantages over debt financing. Besides providing much needed equity capital, it provides know-how. Venture capi-talists work actively with the management of their portfolio capital on economic growth

companies, contributing their been placing private equity, we knowledge and experience to have spent as much time edu-They may also bring strategic partners or other links to forelen markets. As your article pointed out.

many Czechs are reluctant to give up control of their compa-

nies, especially to foreigners. But according to recent surveys ("The emergence of private sector manufacturing in the former Czech and Slovak Federal Republic", World Bank Technical Paper 230, November 1993), most entrepreneurs want

ing as much as they need capi-The primary problem is one of education. Most entrepreneurs do not know about or understand venture capital. In

the three years Catalyst has

management and other train-

the capital and helping them develop management skills and systems as we have in arranging finance. Once entrepre neurs understand that equity participation brings training and technical assistance, they are more willing to surrender a stake in their enterprise.

The Czech Republic's rapid progress to a market economy stems from a dynamic private sector. Venture capital is ideally suited to provide the critical lifeline of capital needed by small and medium-sized com-panies that have jump-started

the economy. Rudolf J Minar, Barclay Catalyst, 685 Fifth Avenue New York NY 10022, US

Emu goalposts are still firmly in place

From Mr Ian Harden. Sir, Your report, "Emu fans ready to move the goalposts" (May 12), risks perpetuating a myth about the Maastricht convergence criteria. To understand the treaty's provisions about public finance, it is necessary to appreciate that there are two relevant protocols, not one. The 60 per cent debt-to-GDP and 3 per cent deficit-to-GDP ratios are contained in the protocol on the excessive deficit procedure. The figures are "reference values". They form only part of the criteria to be applied. The treaty requires other factors to be taken into

To 'Du' or not

account by the Commission in unanimous council decision, deciding whether to invoke the excessive deficit procedure and by the council in determining whether there is an excessive deficit, if and when the proce-

The second protocol is on the convergence criteria. As regards public finance, this protocol merely requires that a state shall not be the subject of a council decision that it has an excessive deficit. It is to this protocol that the judgment of the German Constitutional Court refers in pointing out that the treaty only allows the criteria to be changed by a

dure is invoked.

thus ensuring a German right to veto any weakening of them. This is clearly correct, but does not mean that the reference values have become rules. That would not be an interpretation of the treaty, but a rewriting of it. The treaty as it stands requires a highly com-plex exercise of judgment by the Commission and council and allows them a considerable margin of appreciation.

Ian Harden faculty of law, University of Sheffield, Crockesmoor Building, Sheffield \$10 LFL

From Mr Peter Frankel. Sir, You reported that Chancellor Helmut Kohl called Prime Minister John Major by the familiar "Du" form during their conversations relayed via interpreters ("Major backs Kobi over EU links with eastern Europe", April 28). This appears friendly, but there is a danger that Mr Kohl's attitude might appear condescending.

I was born in Berlin, and can say that I would never call another person "Du" unless I was a member of their family, had been at the same school, was a member of the same club, or had received their express permission to use it. I do not think French President François Mitterrand would be happy if the German chancellor addressed him as "tu".

A British prime minister must be treated with the respect he deserves, whatever the relationship, which cannot be measured through the voice of an interpreter. Peter Frankel,

Surrey RH8 OSX

Referendum on European constitution is required

From Mr Ernest Wistrich.
Sir, Joe Rogaly ("The right question time", May 10) supports the European Movement's call for a referendum on any major reforms that might emerge after the 1996 intergovernmental conference on political union. Yet he sees no need to examine the actual proposals on the grounds that Mr Major is unlikely to support them. This is a pity, for the European Movement's propos als are largely in line with the views of the European Parlia-

ment and those of the overwhelming majority of political leaders in other EU countries. If we in Britain are not to remain totally isolated from public. our partners on the future of European integration, a reasoned debate on the subject in

national interest. The European Movement wants the European institutions to be more democratically accountable and thus nar-

this country would be in our

row the yawning gap between them and the general public. That is why it recommends that all European legislation should be enacted in the open by exposing the secretive lawmaking of the Council of Min-isters to public scrutiny and ensuring that all Buropean laws and actions are subject to democratic approval by the European Parliament.

A written constitution, defining the rights and duties of European citizens and specifying which of these are to be exercised by the European institutions, is surely the best way to make the European Union comprehensible to the

Such a constitution could only become generally acceptable if it were approved by a referendum of all the European citizens.

Ernest Wistrich management board member of the European Movement, 376 Gaytan Road, London NW3

Small price for quality

From Mr Richard Davison. Sir. In his otherwise thorough analysis of pupil numbers in the independent sector ("Sums don't add up", 13 May). John Authors gives the impression that overspending during the 1980s on "luxury items such as swimming pools and sports halls" was responsible for rising school fees.

What actually happened during the 1980s was that all educational costs, independent and state, went up. Between 1984 and 1991, aver-

age fees at ISIS schools increased by 94 per cent in cash terms. Over the same period, unit costs in state schools rose by 36 per cent.

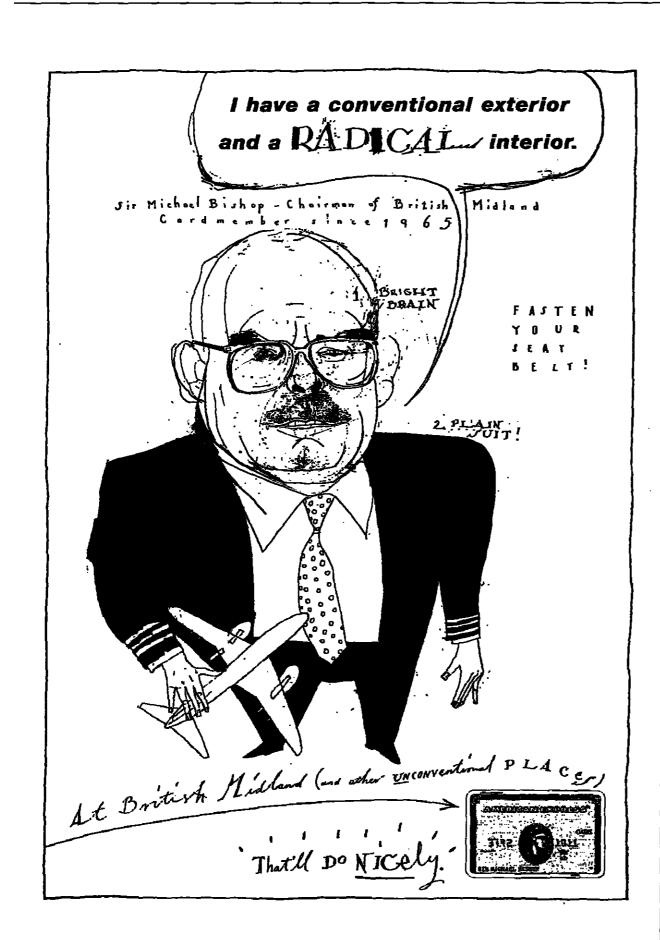
Teachers' salaries - which account for up to three-quarters of a school's costs - are the principal reason for this rise, which may have been less obvious to the taxpayer than to the independent school parent.

If independent schools are to maintain a competitive advantage, they must employ high quality teachers. They must also invest in their plant.

Parents of boarders expect modern accommodation standards. All parents expect schools to be equipped for the rapidly changing demands of the modern curriculum.

And although only 42 per cent of independent schools have got one, I am sure that neither lain Sproat, sports minister, nor John Patten would regard a sports hall as a luxurv Item" Richard Davison.

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FINANCIAL TIMES

Revisionism on pensions

pensions experts in the UK has long favoured final salary related occupational pensions over schemes that peg benefits to average salary, or to the returns on the investment of fixed contributions to a fund. The Institute for Fiscal Studies (IFS) can thus expect a sceptical response from the pensions establishment to its latest report on pensions policy, which argues that the risk in defined contribution schemes has been overstated, and that the defined benefit system may be delivering a worse deal to a majority of people. Others will welcome the IFS's pioneering attempt to quantify the different returns to pensioners under defined benefit and defined contribution arrangements respectively . This, together with a readiness to question long-

standing assumptions, is overdue. The prejudice in favour of defined benefits has its roots in the experience of rising inflation in the 1960s and 1970s, when the link to final salary provided a measure of badly needed protection against rising prices, and employment patterns were relatively stable. Antipathy towards defined contribution pensions, meantime, was strengthened by the experience of stock market crashes in 1974 and 1987.

Renewed inflation

Today circumstances are very different. No one, admittedly, could afford to ignore the threat of renewed inflation for the purposes of long-term pension planning. But the pattern of employment in the UK is no longer so heavily geared to large companies providing long-term stable employment. The financial markets are able to provide a wider array of instruments with which to hedge against market volatility. And the political climate is more hostile to the paternalism that has been the driving force behind an entirely desirable build-up in private-sec-

tor occupational pensions. In essence pensions are a form of insurance. The IFS authors make the important point that the two main forms of private pension provision insure against different things. Defined benefit plans, hich take the form of a promise related to final pay, insure against lem, the government should give uncertainty about capital market greater encouragment to compreturns. Defined contribution any-backed defined benefit plans.

The conventional wisdom among schemes, in contrast, insure against the risk of fluctuating earnings and the loss of jobs.

Using data from the 1988-89 UK retirement survey, and on a plausible set of assumptions, the authors conclude that three-fifths of the people in a sample of 3,500 would have enjoyed higher benefits in a defined contribution plan. A privileged minority of mainly better off. male, long-staying employees, they find, have been feather bedded by the majority.

Wider concerns

This is not particularly surprising, in that so-called early leavers are known to have made a substantial subsidy to long stayers because of inadequate inflationproofing of deferred pensions. But the extent of the cross-subsidy appears greater than many had assumed. Can the legitimate requirement of paternalistic employers to attract and retain good employees really justify such a hugely redistributive process, especially when there are wider policy concerns about the adverse impact of the cross-subsidy on labour mobility?

It is still possible to argue about the relative merits of the two systems in the light of different assumptions that could be made about inflation and investment returns in future. But in practice defined contribution schemes are growing rapidly because they match the requirements of today's labour market better than the alternative. And even if the economic arguments are deemed inconclusive, subject to further research, the wider case for defined benefits is strong.

Such schemes are transparent and preclude cross-subsidy. They do not incorporate any incentive to sack older workers, whose pension rights become more expensive in defined benefit schemes as retirement approaches. They cannot be so easily milked by directors who bump up pre-retirement salaries at huge actuarial cost to the fund and thus to shareholders. More work needs to be done to find ways of reducing the capital market threat to the value of the pension on the date of retirement. But when City ingenuity provides a satisfactory answer to that prob

IT's not a knockout

Reports that General Motors plans to sell its majority stake in Electronic Data Systems, its large computer services affiliate, suggest the world's biggest vehicle maker is not just seeking to raise badly needed cash, but may be abandoning what was once a mainstay of corporate strategy. As well as promising relief to its hard-pressed shareholders, GM's apparent rethink holds salutary lessons for managers of other businesses who are tempted to view information technology as their competitive salvation.

Purchased for \$2.5bn a decade ago when GM was flush with funds, EDS has proved a spectacu-larly profitable investment. How-ever, it has not met GM's original goals. One was to match Japanese car manufacturers' crushing productivity advantage by using EDS's computer wizardry to revolutionise GM's antiquated production facilities. Another was to provide a path for diversifying into fast-growing IT markets.

se hopes have been disappointed because the industrial logic was flawed. With hindsight, been motivated by a desire among GM's top managers to escape from, rather than tackle head-on, a legacy of industrial decay. Dazzled by IT, a market they did not understand, they failed to see EDS for what it was. In reality, the company's factory automation experience is minimal. Its success is based on processing large volumes of data efficiently for outside clients - notably the US government - and aggressive salesmanship. It is a business closer to the economics of the laundry than to

Magic bullet

GM's recent gains in productivity and market share have been largely due to the pursuit of down-to-earth objectives. These include renewed emphasis on flexible working practices, quality, sourcing, product design and marketing. Such steps are indispensable to the company's recovery. The idea that massive investment in computers and robotics could

avoid them was always suspect. Yet faith in IT as a magic bullet lives on, in governments as well as businesses. The latest convert is the Clinton administration.

which is backing a range of com-mercial high-technology projects in the belief that they will yield above-average economic and com-petitive benefits. But the belief is based on shaky evidence. An exhaustive recent study of manufacturing productivity by McKinsey, the management con-sultants, failed to unearth any company which had succeeded mainly because of superior high-

Short-lived gain

That is not to belittle IT's importance to business. By rendering obsolete many middle-manage ment functions, powerful electronic information systems have provided much impetus for the recent trend towards corporate "down-sizing". By linking the world's main financial centres, they have vastly accelerated capi-tal mobility. And by tearing down barriers between computing, entertainment and telecommunications, they are revolutionising the delivery of media to homes

and workplaces. However, for individual companies, IT alone procures only short-lived competitive gain. That is true even in service industries, such as banking and retailing, which are its most intensive users. While IT has encouraged product innovations, notably in retail banking, these are usually easily copied by competitors. As a consequence, it has ceased to guarantee enduring advantage in financial markets and become simply a pre-requisite of survival. In retailing, reliance on IT to generate market research data has helped some retailers challenge branded manufacturers' franchises. These gains, however, depended crucially on sustained investment in efficient distribution, supplier networks

and just-in-time delivery systems. To view IT as a means of erecting competitive barriers is erroneous, its real impact is to level them and make it easier for new competitors to enter markets. Though it can enable the fleetfooted to draw maximum advantage from shrewd judgment, entrepreneurship, innovation and sound organisation, it cannot substitute for these qualities. Still less can it exonerate managers from the consequences of their past

f the cold logic of commerce were the only factor, then the French foreign legion would be using bullets from Lancashire, and French shells would be whizzing across the British army's training ground on Salis-

bury plain.
Such a pooling of resources between munitions makers makes business sense. As tensions have eased after the cold war, almost every western country has been quick to claim the peace dividend, and governments have trimmed defence budgets as a proportion of gross national product.

At least on paper, European coun-tries are committed to the principle of pooling arms procurement efforts as companies grapple with declines in both domestic and foreign sales. Mr John Weston, chairman of Brit-ish Aerospace defence, is confident that talks on collaboration between Royal Ordnance, the BAe subsidiary which makes bullets, and Giat of France will bear fruit.

But before this happens, both companies will have to satisfy a small caveat from the UK Ministry of Defence. If the UK has to use French bullets, then France has to use British ones. As a ministry official put it: "Any dependence must,

This lingering wariness between Europe's ancient nations means the continent's defence industry is not streamlining as fast as its counterpart in the US. As American groups rationalise and regroup, Europe's politicians and industrialists are still searching for ways to follow suit without sacrificing all their secrets and sovereignty.

The commercial rationale for consolidation is equally powerful on both sides of the Atlantic. Throughout the western world export sales are in decline. At constant 1991 prices, Britain, France and the US saw total arms exports fall from \$25.7bn in 1987 to \$14.4bn in 1991.

In the US, the response to this challenge has been rapid. The plunge in government arms purchases - to about \$40bn next year from \$120bn a decade earlier at constant 1993 prices - has already prompted an extensive restructuring in the industry. General Dynamics has sold its tactical aircraft business to Lockheed, its missiles operations to Hughes and its electronic systems to Carlyle. Most recently, Grumman was the target of a \$2.2bn tug-of-love bid between Northrop and Martin Marietta, which Northrop won.

Compared with this hectic activity, rationalisation in Europe has been sluggish. Europe still produces three types of main battle tank, against one in the US. It is also signing three advanced fighters the Eurofighter, the French Rafale and the Swedish Grippen, while the US is concentrating on one - the Lockheed/Boeing F-22.

The contrast has not gone unnoticed in Europe. Mr Louis Gallois, chairman of Aerospatiale, the stateowned French group, said in Loudon recently: "Not without government intention and support, the American aerospace industry is completely restricturing. Jenoring merger control and anti-trust legislation, very profitable mammoth companies are being formed in almost all product categories."

Behind these comments lies a gnawing fear that economies of scale will enable US companies to launch a price war long before Europe has had time to get its own corporate act together.

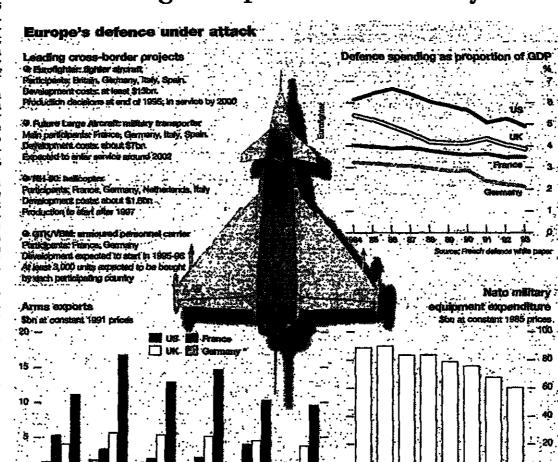
There are a few signs that Europe is starting to react. Dasa, the German aerospace company, announced a plan to cut 16,000 jobs last year; British Aerospace has been in negotiations for the past 18 months to merge its missile business with Matra of France; Aerospatiale is in similar talks with Dasa; the UK defence and automotive group GKN has bought the helicopter maker. Westland

Yet progress has been painfully slow, and there is little consensus on how European industry should

Some, including Lord Weinstock, managing director of GEC, believe defence is essentially the business of individual countries, and that

The best lines of defence

Bernard Gray and Bruce Clark assess the political and commercial challenges facing Europe's arms industry



larger groupings will be formed within states rather than between them. For instance, Lord Weinstock says that GEC and BAe may eventually work together as joint prime contractors on projects or conceivably pool some defence interests. Sir Colin Chandler, chief execu-tive of the UK tank maker, Vickers,

takes a difference view. He sees cross-border co-operation in weapons production as the most likely way forward: keeping separate the companies making particular products, but allowing for joint ventures and joint weapons development.

The vision of cross-border collaboration is shared by Sir David Lees, chairman of GKN, who says: "There is no other way forward. The pressures on stretched budgets are driv-ing towards more collaborative pro-

The most spectacular multinational project to date is Eurofighter. This £32bn bid by Britain, Germany, Italy and Spain to be in the van-guard of military aircraft technol-ogy has divided German opinion. Also in the pipeline are a \$7bn project to build a new military transporter, the Future Large Aircraft (see chart); a Franco-German armoured car; and a frigate involv-

ing Britain, France and Italy. As technology becomes more expensive, it may no longer be feasible for any European country to build a cutting-edge weapons platform alone. Co-operation therefore sounds appealing and politically prestigious. But grandiose plans for the future will not remove the need for painful decisions about current production. Building weapons in more than one country may make it easier to raise development capital, but it does not necessarily save money. Overheads and production facilities may be duplicated unless some countries are prepared to relinguish manufacturing

Matra, for instance, has decided that collaboration on specific proiects is not a sufficiently radical solution to Europe's cost-cutting problem. It argues that it needs to pool equity as well as expertise with its European counterparts to compete with rivals in the IIS.

But does Europe have to choose between national glants, cross-border project collaboration, or multinational mergers? Mr Weston of BAe thinks not. He foresees "a mixture of national and international mergers to rationalise the industry". Nor is he persuaded that Europe is falling behind the US.

Ironically, the end of the cold war, which brought such savings for the US, may

increase the burden on Europe's taxpayers

"Europe does have some barriers to overcome which the Americans do not. But then the European industry probably started to sort itself out long before the US."

However, as Lord Weinstock points out, European companies cannot be expected to make strategic decisions until governments have defined their foreign policy priorities more clearly. defence industry needs direction from governments, but the situation is far more complex now that the cold war is over," he says.

European governments are drawing up a defence shopping list in the light of a partial, and possibly total, US withdrawal from the continent. This should be concentrating minds in foreign ministries and boardrooms, but so far there has been only a stumbling convergence

between leading members of the Western European Union, the embryonic security organisation.

Britain, the standard-bearer of links with the US, now accepts that the WEU's importance will increase and that in certain conflicts, Europe may act alone. France, long susnicious of Washington's intentions toward Europe, now worries about too little US presence in Europe

rather than too much. But key questions about the size and function of Nato remain wide open, and all discussion of Germany's role will be hypothetical until this summer's verdict by the constitutional court on whether the

Bundeswehr can serve overseas European governments broadly agree on what they need for home defence or to fight a small version of the Gulf war without US help: mobile armour, a strategic airlift capacity, satellite intelligence, and early warning systems to detect and

intercept long-range missiles. Where they do not agree is on what all this implies for the arms

For France, it is axiomatic that European self-sufficiency in arms can only be attained through self-sufficiency in arms production. With its own budget under strain, it feels more strongly than ever the need for cross-border collaboration. Next week, France and Germany will reaffirm their commitment to establish a joint arms agency, initially to manage existing projects but with the possibility of becoming

a powerful procurement executive.

There is some scope for mutual advantage between France and Germany in export markets. France needs German capital and engineering skills, while Germany sometimes benefits from France's global connections, and its relative freedom from export restrictions. German companies are barred by

law from exporting arms to areas of actual or potential tension. Last year's \$3.5bn sale of French tanks with German engines to the United Arab Emirates looked like a neat way round that problem - although even that deal required a special permit by the Bonn government.

The UK, for its part, does not accept that defending Europe necessarily implies buying European. For its forthcoming purchase of helicopters, the British army is though to favour the US-designed Apache rather than the Franco-German Tiger. To meet its strategic airlift requirement, it is keeping open the options of buying more US Hercules aircraft or coming back to the European Future Large Aircraft, from which it withdrew in 1989.

Even France is conscious of the high price of investing in European capabilities. Mr François Leotard, the French defence minister, has acknowledged that in pure budgetary terms, it might be better for France to buy Hercules aircraft. He has even suggested that both FLA and the four-nation NH-90 helicopter may have to be axed unless production costs can be trimmed by 20 per cent. However, he remains committed to both projects because of their importance for European

Other items on the European wish-list will be even more expen sive. France has virtually completed one military satellite programme, the Helios, with help from Spain and Italy, but it cannot drum up much enthusiasm for further space

14:5

Manager and the second second

hile seeking financial help from its European partners, ally reluctant to share sensitive technology. Recent defence ministry documents state clearly that the country no longer has the money to be self-sufficient in defence electronics or weaponbuilding material. But its insistence on independence in nuclear matters is undiminished.

Nuclear technology is proving increasingly costly, but among European states which do not trust each other enough to make hullets. such strategic collaboration is even harder. Besides, while France is protective of its own nuclear crets, Britain's relationship with the US prevents it from passing on American technology to other countries.

The most ambitious European dream of all would be the construction of a strategic anti-missile defence system to rival America's now-defunct Star Wars plan. The military case may be growing, as rocket technology becomes available to increasing numbers of uncomfortably close and potentially unstable countries in the Middle

East and North Africa. However, even the US has been forced to curtail its aspirations in the field of anti-missile defences. So it seems unlikely that Europe will be able to raise the enormous sums necessary to implement such flights of fancy. At a more practical level, even a streamlined European defence industry may not be able to afford to design a shield against low-technology Scud missiles of the kind used in Yemen over the past few days.

Such large-scale projects would require clarity of military purpose, political will and industrial cohesion - all of which are lacking at the moment. Ironically, the end of the cold war, which has brought such savings for the US, may increase the burden on the European taxpayer. Politicians may be called upon to explain to voters that they face a peace levy and not a peace dividend, if the continent is to defend itself without US help. To make matters worse, the political challenge coincides with intensifying competition from American defence contractors which can merge and co-operate without handwringing over technology transfers and issues of sovereignty.

As one European expert put it: The US is rationalising over three to five years. Europe is moving over 10 to 15 years. That is the kind of gap you just don't close."

ultimate insider (in the nicest

possible sense). He joined the

up. He has built up close

exchange in 1968 as a corporate

listings representative, and has since learnt almost every aspect

relationships with the frontline

troops, the specialists, who have

an important say in the choice of their chairman. "He is very much liked on the floor, because he

understands the needs of the

executive points out.

specialists," one former NYSE

The fact that Grasso looks and

harm. During his tenure, the more

talks more like a trader than the

current incumbent also does no

aloof Donaldson has never been

Grasso also happens to be the

market's technology chief, which

ought to count for even more. At

largest floor-based exchange into

complexities of dragging the world's

least he should be aware of the

much of a hit on the floor.

spends a lot of time there and really

of the NYSE's business on his way

Observer

Waves from the ocean

■ Bernard Tapie, France's much-investigated businessman cum politician, seems to have added an offshore tax problem to his many woes - in the shape of his splendiferous yacht.

Currently away from her usual berth undergoing repairs, the Phocea, so-called to evoke the ancient name for Marseille. normally bobs about right in front of the town hall in the midst of the city where Tapie would be

But the French authorities are threatening to take the wind out of Phocea's sails. Until now, the four-masted, 74-metre schooner, nurchased a decade ago from the widow of racing sailor Alain Colas, has been registered as a "commercial" vessel. Hence Tapie has been able to treat large renovation expenses as a business tax deduction - not to mention escape paying VAT when the yacht was originally imported from

Now the tax people are jibbing at the boat's commercial status, and are also investigating whether Tapie may have used money from his various companies in order to help with the lovely lady's very

considerable running costs. Another interested party has also surfaced. According to its new president Jean Peyreleyade, Crédit Lyonnais has slapped a lien on the yacht as security for Tapie's unrepaid debts to the bank. Tapie's own cork-like properties.

meanwhile, were amply demonstrated when an Ifop poll, published in the weekly Journal du Dimanche, showed the Marseille deputy to be the 14th most popular person in France. Not a single other politician

Premature

■ Maybe Yasuhiro Nakasone shouldn't be written off just yet. The domestic reputation of Japan's prime minister between 1982 and 1987 may be tainted by involvement in one of the country's many bribery scandals, but he is still in demand as an international elder statesman.

A colleague bumped into him in Geneva recently, where he was advising the United Nations on next year's 50th anniversary celebrations, and was surprised to find him just as keen to talk domestic Japanese politics as international affairs. Nakasone's view is that an early

realignment of Japan's political parties is on the cards to restore much-needed stability.

He won't predict who will cuddle up to whom, but says any new grouping will share a common view on that all-important relationship

with Washington. In such circumstances would

(BANX)

'You know what I miss? Tobacco advertising'

he be tempted to re-enter Japan's political fray? Given that Nakasone turns 77 this month, it's hard to believe he would want - let alone get - a big political job again. But he refuses to rule himself out entirely by echoing General MacArthur: "Old soldiers never

Tunnel vision

■ What with all the Channel tunnel pomp and the D-day landings razzmatazz, it is perhaps to be expected that another little marker in the history of Anglo-French merry-making has

been allowed to slip by virtually

Last month was the 90th anniversary of the entente cordiale, an "understanding" cobbled together by Lord Lansdowne, Britain's foreign secretary, and Paul Cambon, the French ambassador in London. Roughly speaking, the French conceded that the lobster was a fish, in return for control of various small corners of west Africa.

Although Douglas Hurd, Britain's foreign secretary, and Alain Juppé, his opposite number, had a spot of dinner to mark the occasion, the anniversary had been otherwise iznored. Step forward the British Business

Lunch Club in Copenhagen. It has invited French businessmen to a celebratory lunch on May 28 (50 days late, but who's counting?) where the British commercial attaché, Anthony Layden, and his French counterpart, Bruno Caron, will dehate to what extent the hole under la Manche threatens to destabilise the entenie cordiale.

Nice insider

■ If, as seems increasingly likely, William Donaldson decides not to seek a second term next year, the New York Stock Exchange may well look no further than his current number two, NYSE president Richard Grasso, for its next chairman The diminutive Grasso is the

the 21st century.

Foot down If it's not just the policemen, but the joy-riders too, who get younger by the day. And Boots, the chemist, is doing its bit to curb their activities. Its catarrh syrup, for 1-12 year olds, carries a warning that a dose of the medicine causes drowsiness. "If affected do not drive or operate machinery," it says.

FINANCIAL TIMES

Tuesday May 17 1994



Lift in industrial production adds to strength ahead of FOMC meeting

US rate rise hope boosts markets

By Jurek Martin in Washington

US financial markets firmed yesterday as dealers anticipated that today's meeting of the Federal Reserve's policymaking open market committee would end the uncertainty over interest rates.

The Fed is widely expected to raise short-term interest rates for the fourth time this year, from 3% per cent, perhaps coinciding with an increase in the discount rate - the rate at which the Fed lends to hanks – from the current 3 per cent.

Markets also took heart from April's industrial production fig-ures although the modest 0.3 per cent increase, the 11th consecutive monthly rise, was somewhat less than the 0.5 per cent advances recorded in each of the

previous three months.

The Dow Jones Industrial Average was up about 13 points around midday at 3,672.03, bond prices were up about half a point. with the 30-year government long bond yielding 7.431 per cent, and the dollar was trading slightly higher. However, trading vol-umes were low as many dealers were on the sidelines ahead of

today's FOMC meeting.

The industrial production fig-ure was reduced by a little over 0.1 percentage points because of a 2.9 per cent decline in car assem-blies. This reflects an adjustment following the figures which showed production close to

capacity in February, a level which has proved unsustainable. remains steady and non-inflation-But most of the other compoary, and to reinforce the value of nent parts of the index remained the US dollar on the foreign exchange markets. steady. Industrial capacity stayed at 83.6 per cent, well below the inflationary threshold, and both The Clinton administration

made no attempt to second guess any Fed move yesterday. Mr Roger Altman, the deputy treasury secretary, said: "We don't have any quarrel with the Federal Reserve on monetary policy our hope is that this recovery will be a durable one.

He also avoided substantive comment on the dollar, repeating what he described as the Treasury's "basic belief" that economic fundamentals should be the best guide to a currency's

THE LEX COLUMN

Dutch auction

Does it make sense to privatise a telecoms operator in tandem with a post office? The Netherlands thinks so. KPN, whose preliminary prospectus was published yesterday, combines both telephone and postal services. Part of the thinking is that steady profits from PTT Post will help PTT l'elecom in its more volatile market. PTT Post is in better shape than

most European post offices. It is not only profitable but has been making inroads into foreign markets by offering bulk remailing services - to the chagrin of Britain's Post Office. Even so, the combination with PTT Telecom is unfortunate. Telecommunications is viewed by most international investors as the more exciting industry, so the association with PTT Post may drag down KPN's share price. Equally. the uniqueness of a quoted postal company would have been enhanced if it

had been floated separately.

That apart, the KPN flotation looks like being a success. The indicative price range of Fl 46 to Fl 52 seems conservative on most of the yardsticks used to value international telecoms stocks. KPN's prospective price-earnings ratio of 12 compares with 17 at recently privatised Tele Dammark and 13 at BT. Equally, the prospective yield of 4.5 is higher than Tele Danmark's 8.6, though lower than BT's 5.7. Moreover, KPN's regulatory climate is fairly benign. Plans to license a second Dutch telecoms operator are making only slow progress. Meanwhile,

PTT Telecom's tariffs are allowed to rise in line with inflation. BT, by contrast, not only faces an army of competitors but is required to cut its prices by the inflation rate minus 7.5 percentage points.

Whitbread

Having restructured its capital in a way that would permit it to raise equity on the market, Whithread has ironically ended up with virtually no gearing. Though yesterday's results were in line with expectations, the 2 per cent fall in its share price may reflect the company's reticence about how it intends to use this balance sheet strength. Capital spending will increase by around £100m a year, allowing the group to capture continuing growth from its hotels and pub retailing businesses. But the extra outlay will simply prevent Whitbread from piling up cash; it will not absorb The questions are thus whether and

when the market will start to show

FT-SE Index: 3115.6 (-3.6) Whitbread Share price relative to the: FT-SE-A Breweries Index

sustained signs of impatience. There are grounds for suggesting Whithread can afford to wait. The cash inflow from the sale of its regional brewing stakes will not dilute earnings this year. Growth elsewhere will continue to offset weakness in brewing. The decision not to buy Chef & Brewer shows an aversion to over-paying for acquisitions. With Sir Michael Angus and Mr Peter Jarvis at the helm, Whitbread promises sensible and well-articulated strategic decisions.

Just the same there is a worrisome hint of drift. Whitbread says it wants to remain in brewing, which generates a lot of cash. But transfer pricing changes will reduce the stated return on brewing and may make other parts of the business more attractive targets for investment. Strategic dithering will make the comparison with Scot-tish & Newcastle doubly unflattering if the latter's acquisition of Chef & Brewer turns out to be an unqualified

De La Rue/Portals

Even before the recent run-up in Portals' shares, De La Rue stood little chance of winning the paper maker on the cheap. Portals enjoys a strong market position in bank note paper, backed up by anti-fraud technology. With a good record of cash generation, an ungeared balance sheet and dividend cover of two times, there is no question of financial distress. While efforts at diversification have been at times puzzling, Portals' management has made a decent fist of steering the

The question is whether De La Rue's industrial logic is compelling enough

to justify the full price Portals' share holders would rightly demand. Integrating printing and papermaking would give De La Rue access to Por tals' technology and a list of custom ers broader than its own. That could open opportunities for selling machin ery or other services. But such vertical integration carries risks. If De La Rue took all of Portals' paper production it would lose the flexibility to pick and choose its suppliers. If Portals was still selling to all-comers, customers might resent it being swallowed up.
If De La Rue makes a full bid, thes

Mish pick

arguments will doubtless get a full airing. If the logic is so persuasive, though, De La Rue will have to explain why it overlooked the synergies until now. The group has been looking for acquisitions and holding net cash since its rights issue in 1991. This time last year Portals was trad-ing at little more than half yesterday's

Barclays Bank

Having ploughed headlong into the commercial property slump, Barclays is trying to manage its way out. By issuing property-linked bonds to inves-tors, the bank has created a useful hedge against its outstanding loss to property companies. If Barclays has done its sums right, pain caused by any worsening of the commercial property market will be offset by the asure of repaying the bonds at less

than face value.

But the £150m Barclays hopes to raise is only a drop in the ocean when set against its £4bn outstanding property loans. Nor does yesterday's issue transfer credit risk off the bank's balance sheet, so no additional capital is released. Were that its aim, Barclays might securitise some of its property assets or sell troubled loans in the secondary market. Both techniques have been used extensively by US banks. But securitisation is more expensive to arrange than yesterday's index-linked bond, while the secondary market price for troubled debt is unattractive.

With property loans down to around 7 per cent of UK assets from 9 per cent at the peak. Barclays' over-exposure to property certainly looks less acute. Commercial property bulls might even question the decision to reduce exposure going into the upturn. Still, fund managers of that persuasion could Barclays shares and buying its new bonds instead.

Zan zer jede

EDS and Sprint talk of alliance

Continued from Page 1

in a recapitalisation of E shares into GM common stock at a 120 per cent exchange ratio, as pro-vided for under the group's certificate of incorporation.

EDS and Sprint emphasised that many issues remained to be resolved in their merger discussions, including the relative value of the two groups, and there could be no guarantee a deal would be consummated.

However, Mr Les Alberthal, chairman of EDS, and Mr William Esrey, chairman of Sprint, said the two companies had the opportunity to "create a single source for products and services to meet the converging information and communications needs of customers".

EDS's strength in the large business market would help Sprint expand here, while Sprint's presence in the consumer market would allow EDS to develop products for the indi-

Shares in Sprint jumped \$1% to \$38 in lunchtime trading, while E class stock was up \$1% at \$34%. GM was unchanged at \$531/4.

BAT buys majority stake in Uzbeki tobacco industry

the average work week and man-

ufacturing employment were

essentially unchanged. Technol-

ogy was the strongest sector.

with output up 1.2 per cent in

The production returns and

last week's slim 0.1 per cent

increase in consumer prices rein-

Against this background, the logic of a further Fed tightening

of monetary policy would be to

able non-inflationary growth.

By Stave LeVine in Tashkent and David Wighton in London

BAT Industries, the UK cigarette and insurance giant, is to take a majority stake in the state-owned tobacco industry of the former Soviet republic of Uzbekistan.

The agreement, under which BAT will invest \$200m during the next five years, represents the first large foreign investment in the central Asian republic since the government announced its economic reform programme in January.

The deal mirrors that struck by BAT's US rival Philip Morris in neighbouring Kazakhstan last year. Both cover support for local tobacco farmers as well as investment in processing and manufacturing plants.

"We won't actually own the land on which the tobacco is grown but we will provide advisory services to farmers," said BAT. It believes that Uzbekistan is

the more attractive of the two republics with a slightly bigger market, about 25bn cigarettes a year, and much higher tobacco

The state factories are cur-

\$200m investment aimed at improving quantity and quality of local product

ance met largely by imports from other former Soviet republics.

BAT said the priority was to increase the quantity and quality of Uzbek-made cigarettes rather than build brands as in more developed markets. It hopes eventually to introduce its own international brands at the top of the

BAT also said it saw an export opportunity for Uzbeki tobacco leaf. "We believe we could get it to a grade that is acceptable on the international tobacco market". The "oriental" tobacco grown in central Asia is used in blended American cigarettes such as BAT's Lucky Strike.

Uzbekistan has lagged behind Kazakhstan in economic liberalisation, and western investors remain slightly sceptical about the economic reform programme. This promised to allow limited private land ownership and repa-

The government has recently the success of this strategy.

rently supplying less than 4bn sought a support agreement with cigarettes a year with the bal-the International Monetary Fund for its currency, the som, which it hopes will reassure international investors and bankers that it is serious about reform.

BAT expects to start generating profits from Uzbekistan within two to three years, although it would not start taking out dividends for about five years. It plans to invest \$50m over the next two years to refurbish the existing tobacco factory in Tashkent and \$140m to build a new factory in Samarkand.

The Uzbeki investment is by far the largest in the former eastern bloc by BAT, which has joint ventures in Hungary and Ukraine. It is also in "fairly advanced" discussions over factories in Russia and Kyrgyzstan. Mr Shukrat Gafurov, of the Uzbeki state property committee, said: "The government is fully committed to developing a market-orientated economy, and this

'to play bigger role in Europe'

FT WEATHER GUIDE

By Robert Graham in Rome

Italy's new government will

Italy has consistently played a disproportionately small role in relation to its economic strength and strategic position, and Mr Berlusconi yesterday showed

Outlining the government programme of his rightwing Freedom Alliance to the senate, Mr Berlusconi also indicated reservations about the Maastricht treaty

on the future of the European Union. But, in a speech lasting nearly an hour, he declined to go into details on foreign or domestic policy, as he is still putting together a programme.

Mr Berlusconi also appeared reluctant to reveal his policies in the senate, where his government is at least eight seats short of the 164-seat majority required to win a necessary vote of confi-

The confidence vote is due tomorrow, and yesterday the prime minister appealed to senators of the small centrist parties for support. He hinted that they should observe a truce to allow his government to set its policies in place and judge by his actions. Mr Berlusconi began by focus-ing on foreign policy and with admission that his governthe ment - sworn in last week with five ministers of the neo-fascist MSI/National Alliance - had been received "in some respects with a certain justifiable anxi-

He said Mr Antonio Martino, the new foreign minister - in Brussels yesterday for his first meeting with his EU colleagues – had already begun "to state and reinforce Italy's role as a protago-

nist in the European Union".
"Italy must be in favour of enlargement of the Union, also towards eastern Europe...but a careful process of reflection on the Maastricht treaty should not

To aid employers, he promised to introduce, in his first 100 days, fiscal measures which would ease the cost of employment and help part-time and temporary employ-

On privatisation, he was very brief, contenting himself with saying: "The government is pledged to accelerate the privatisation of Ina [insurance], Stet [telecoms], Enel [electricity] and

Eni [oil and gas]. On the possible conflict of interest between his role as premier and his position as owner of the Fininvest media empire, Mr Berlusconi said he hoped he would be judged "by facts and not by prejudice".

expand the country's role in Europe and seek to increase its influence in international affairs. Mr Silvio Berlusconi, the new prime minister, pledged yester-

a willingness to lift that

Europe today

Most of western Europe will continue unsettled with rain or isolated showers in many places. Sunny intervals will lift temperatures to between 20C and 25C. Thunder showers with heavy rain are expected over southern France. The rain will spread towards Switzerland and northern Italy, Spain and Portugal will be unstable and cool but the eastern Mediterranean will be sunny and warm again. Inland temperatures will exceed 30C around the Adriatic and in Turkey. Afternoon showers will cool the Balkans. Scandinavia will continue cool with rain or sleet in the north. Central regions will have sunny intervals but southern Sweden will have rain.

Five-day forecast

A lot of rain is expected over central Europe on Wednesday and in southern Scandinavia later in the week, it will be much cooler afte the rain. Northern Spain and Portugal will remain unstable and cool but south-eastern Europe will have an increasing risk of thunder showers. The north-west continent will be warmer by the weekend.

LOW

TODAY'S TEMPERATURES Edinburgh Paro Frankfurt Geneva Gibraltar Gibraltar Gibraltar Gibraltar Hamburg Hessinki Honolulu Jersey Rangoon Rayldavik Rome S. Fraco Seoul Singapor Stockhot Strasboy Sydney Tangier Tel Aviv Tokyo Torunto Vancous 30 12 32 26 26 20 32 21 30 18 37 17 cloudy shower fair sun shower thund (gir thund sun 26 11 21 18 23 30 25 30 41 41 12 20 25 21 13 19 15 30 27 16 38 35 20 23 23 18 15 22 23 21 Caracas Cardiff Casabtas Chicago Cologne D' Salas Dakar Dalas Delhi Dubai Dubai fair
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URBINE ORDE A UN AND CANAD the USA; has secured enders ington terminal in mid-1 Ltd., for gas compression sta a gas turbines feature Rolls-Royce 201211 ROLLS-ROYCE SIGNS MARKET AGREEMENT WITH CONTIN Rolls Royce has signed an agreement with Contine USA for complete maintenance of the carrier's RB211-5351 walkprover its fleet of Boeing 757s. The seven year contra the when Continental receives the first of the 25 er litty airlines worldwide have selected the highly reachle Boung 757, representing 80% of all operators of the aircraft. ROLLS-ROYCE AND EUROFIGHTER 2000 The Europe ter 2000 prototype has made its first test flight, powered by Turbo Union Record 104E engines. Later versions of Eurofighter 2000 will use the new Barrengine, produced by the Eurojet consortium in which Rolls-Royce is a major partner.



FINANCIAL TIMES

COMPANIES & MARKETS

OTHE FINANCIAL TIMES LIMITED 1994

Tuesday May 17 1994



IN BRIEF

Spanish pick-up boosts Telefónica

Telefonica, the partly-privatised Spanish telecommunications group, showed a 15 per cent increase in consolidated net profit in the first quarter to Pta17.34bn (\$125.8m). The company said the results reflected a recovery in demand for telephone services as the Spanish economy began to pick up. Page 22

Whithreed rises 32% Whitbread, the UK brewing, retailing and leisure group, reported a 82.2 per cent increase in pre-tax profits to £234m (£351m) in the year to February 26 thanks to a strong performance by its pub food, restaurant and leisure operations and lower interest costs. Page 22

Santioz scales back research venture Sandoz and The Scripps Research Institute of California have scaled back a joint research pact following complaints that the Swiss pharmaceuticals group would corner the output of a large publicly-financed US institute. Page 23

JP Morgan profits from stake sale J. P. Morgan is to take a profit of more than \$200m. from the sale of part of its stake in Columbia/ HCA, the US's biggest private hospital group.

Interest in Peru maintained Interest from foreign portfolio investors in Peruvian assets continues to be significant despite setbacks over the past few months. Page 24

Portais shares jump on offer talks Shares in Portals, the UK security and specialist paper maker, jumped 40p to 805p after De La Rue, the banknote printer, confirmed that the two companies were in talks which might lead to it making an offer. Page 26; Lex, Page 20

SB offers Tagamet rebates SmithKline Beecham is attempting to defend its best-selling ulcer drug, Tagamet, from generic competition after it loses its US patent protection today by offering \$20 rebates to some US patients buying the drug. Page 27



Harry Ramsden's, the quoted flah and chips company, is attempting to bring this British dish to Japan. Page 28

Platinum metals hit by investment drought Lack of capital for investment and maintenance is threatening to hit production of platinum group metals in the two biggest producing countries. South Africa and Russia. Page 30

Minorco NBC

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Foreign auchange 38
6/hs prices 25
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Managed funds service Money markets

New inti bond issues Recent issues, UK

Short-term int rates

US interest rates World Stock Markets

Chief price changes yesterday

Berclays Brierley Invs British Gas Cie. Gen. des Eaux De La Rue Eastman Kodak Enterorise Computer

JP Morgan Annual reports service Benchmark Sovt bonds Bond futures and options Bond prices and yields

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Eurotunnel rights may seek £850m

By Robert Peston in London and Emiko Terazono in Tokyo

Eurotunnel's forthcoming rights issue is likely to seek about 2850m (\$1.2bn), 20 per cent greater than expected by the market, dwarfing its four previ-

ous equity-raising exercises. The disclosure of the sharp increase in the Channel tunnel operator's refinancing require-ments came as it faced continu-ing problems in raising £700m of new senior bank loans.

Yesterday's deadline for raising the loans was passed with Euro-

because Japanese banks have yet than £600m of estimated interest to contribute.

Eurotunnel confirmed, meanwhile, that it does not expect to pay a dividend until 2003. It also published forecasts of

revenues and operating costs. These show over the next decade it will only just be able to service its total debt - including loans from public sector banks - totalling almost £8bn, if the latest reffnancing is concluded.

Even as late as 2003, net revenue is anticipated at £1.3hn, from which £376m of operating costs

costs - leaving a margin of just 2300m, from which to repay princinal on the debt and pay the promised dividend. Because of the slim margin of forecast revenues over debt costs, bankers said the company's directors

have been given little autonomy

over financial decisions in the

lending agreements. "We have

the company where it hurts," said a principal bank creditor.
The rights issue cannot take place until bankers have pro-

tunnel £150m short, largely has to be deducted and more banker said: "I remain hopeful that we will raise the money by the end of the week," Japanese bankers, who have

collectively provided 28 per cent of the company's commercial bank debt, said they had not made their final decisions on whether to provide new finance. But one said: "We feel it's a European project and European banks

should play a proper role."

European bankers said they continued to hope new loans would be provided by existing members of the 200-bank syndi-cate, who have provided £6.8hn of Tokyo banks tire, Page 5

finance to date. "We are not looking to raise the funds from outside banks, such as US banks," said a principal creditor.

Eurotumel said it was continuing to assess how much debt and equity it needed to raise to pro-vide an "appropriate margin" over its "central case projection of funding needs". Bankers said this was a coded statement implying the Eurotunnel board had decided it needs to raise more equity than originally planned. "They feel they need

The courtship ritual of EDS and Sprint

Kmart has suffered five years

Mr Joseph Antonini, chairman and chief executive, said the make big inventory reductions.

Kmart and Woolworth's 122 Woolco superstores in Canada.

the stores had its penalty at the bottom line. Earnings per share grew 10 per cent from 20 cents to 22 cents, marking a sharp downturn from the rate of 25 per cent a year seen over the last five Wal-Mart's shares suffered a

Sprint, in turn, could reduce information technology costs. But further waltzes around the telecoms dance-floor may have to await the consummation of this marriage, which still seems months away, given the complex-ity of EDS's relationship with GM and the need to clear numerous regulatory burdles. And in that

multi-media weddings. **Martin Dickson and**

ital fibre optic system in the US.

time, the partners could cool on

each other, as has happened sev-

eral times over the past few months shead of much vaunted

Ready for take-off: Jürgen Weber expects to return to profit this year

Lufthansa set to move back into the black

By David Waller in Frankfurt

Lufthansa is heading back towards profitability after three years of losses, according to the German strline's chief executive. Mr Jürgen Weber said yester-day he hoped that the airline would make a profit for the current year which would enable it to pay its first dividend to ordi-

nary shareholders since 1989. He was speaking as the airline reported a sharp fall in losses for 1993 and further improvements in the first quarter of the current

Reflecting the impact of extensive rationalisation, pre-tax losses for the group fell from DM310.1m (\$185.6m) to DM8.33m last year on sales of DM19.27bn, up from DM18.6bn. In the first three months of

this year, the Lufthansa parent company cut its losses from DM245m to DM82m.

Mr Weber said he could make no forecast about the size of the 1994 payout - to be paid in 1995 - until the second half of this year. More details are likely at the airline's annual meeting on July 7 when the company will ask shareholders' permission to raise its nominal share capital as a first step towards a rights

Mr Klaus Schlede, Lufthansa's finance director, said the issue would raise at least DM1.7bn, suming a 20 per cent discount from the current share price. The funds were urgently required to replenish the group's equity cap-ital, depleted after years of

The German government will not take up its entitlement to new shares, thereby reducing its holding from 51.4 per cent to about 40 per cent.

Lufthansa achieved its earnings turnround last year against a backdrop of excess capacity, a sluggish world economy and continuing price pressure in the global airline industry. It said it had managed to decouple itself from the general trend by implementing a restructuring programme, which led to a substan tial reduction in staffing and costs. The airline has reduced costs by DM1.5bn in the past two

years and aims to trim a further DM500m costs by 1997. Stripping out the impact of one off items, operating profits for 1993 amounted to DM409m, swinging back from a loss of

In the first quarter of 1994, gross traffic revenues rose 11.5 per cent to DM3.6hn for the par-

Compatible partners at the multi-media ball The scale of the investment

the revolution in the world's information and communications industries is like a dance of giants, with corporate heavyweights try-ing a range of partners in the hope of finding the perfect match. Yesterday, two of the most important US participants confirmed that their nuptial preparations were well advanced. Electronic Data Systems, the

Dallas-based computing services group, has become engaged to Sprint, the telecoms group which is America's third largest long-distance carrier.

Plenty of hurdles still stand in

the way of marriage - not least the fact that EDS is a subsidiary of General Motors, which plans to pave the way for the deal by divesting EDS in a tax-free spin-off to stockholders. But if the merger goes through,

it will create an important new contender in the battle for global business as the industries of computing, communications and entertainment merge - unified by technology which allows all types of information to be transmitted in the same digital form.

This will be biggest tie-up yet between a computing services company and a telecome provider of the control of the contr vider, although AT&T's takeover of computer hardware manufac-turer NCR in 1991 gave it control of NCR's services organisation. It will also go a long way to

solving big strategic questions looming for both Sprint and EDS. Sprint - which is based in Kansas City, Missouri and had 1998 operating income of \$481m on revenues of \$11.4bn - is unique among US telecoms groups: its business strategy and regulatory controls on rivals mean that it is the only company with big interests in all three sectors of the industry: long distance, wireless

and local phone services. Some analysts think this type of nationally branded, integrated communications company is likely to emerge as one of the winners from the US multi-media revolution - provided it is sufficiently large and has a strong

array of partners. Until now, Sprint has stood largely aloof from the rush to find multi-media partners, while its 9-10 per cent share of the long-distance market has put it far behind sector leaders AT&T (60 per cent) and MCI Communi cations (30 per cent).

Still, after a period in which poor marketing meant declining market share in long-distance, it is now growing strongly, thanks partly to its strong brand image - promoted on television by actress Candice Bergen. Its cellular operations are also booming and its local operations are among the most efficient in the nation. RDS was founded in the early 1960s by 1992 presidential candidate Mr Ross Perot, who sold it to GM in 1984. Capitalising on the increasing complexity of informa-

required for these areas is mind-**EDS** boggling," one industry analyst Worldwide said yesterday. Furthermore, to reach the individual consumer it 1993 revenue: \$8.6bn helps to have an ally with a Net income: \$724m Staff: 70,000 strong brand image and close commercial links to the home. which can be provided by Sprint. Operates in 30 At the same time, EDS can give

Sprint greater access to its cus-tomer base, which is concen-trated in Fortune 500 internacountries Europe 1993 revenue: \$1.4bn tional companies, whereas Sprint's long-distance strength Staff: 11,000 has been in targeting small to medium-sized US companies. Operates in 19 EDS expertise should also help countries

Sprint provide both large and small customers with more tion technology, it has specialised sophisticated services, and could in "outsourcing" (running other companies' computer and complay an important integrating role if Sprint goes ahead with munications services) and rumoured plans to set up a third systems integration, the design national wireless network, to and construction of information compete alongside ones from networks. It has become the AT&T/McCaw and MCI/Nextel. world's largest computing soft-A merger should also save ware and services company, with costs. EDS, which runs one of the 1993 earnings of \$724m on reveworld's largest private communinues of \$8.56bm, and has grown cations networks, could cut its rapidly with a series of presti-gious contracts, including a £1bn line leasing costs by using Sprint's network, the first all-dig-

authorities' computer systems. GM still accounts for 39 per cent of its revenues, but that is down from 75 per cent in the mid-1980s. Under the proposed spin-off, EDS would continue to provide the same services to GM under a new 10-year agreement EDS, however, is also keen to play a role in the nascent world of multi-media. Late last year, for

deal to run the UK income tax

example it appounced a joint venture with France Telecom and US West, the regional Bell operator, to provide interactive financial transaction services to the home and business markets.

But to compete effectively it requires a partner or partners:

Wal-Mart grows at Kmart's expense

By Richard Tomkins in New York

Contrasting results from Wel-Mart and Kmart, the two biggest US discount store groups, highlighted how Wal-Mert is continuing to grow at

Kmart's expense. Wal-Mart, now the world's big-gest retailer, reported an 11 per cent growth in net income to \$498.5m for the first quarter to April, while the ailing Kmart harely scraped into profit over the same period with net income of \$18m. The result was a further deterioration from last year's first quarter when it reported net income of \$58m before extraordinary items. Sales rose 7 per cent to \$7.8bn but earnings per share fell from 12 cents before extraordinary items to 4

of stagmant earnings because of its failure to compete effectively with Wal-Mart. One of its weaknesses has been poor inventory control, leading to excess stocks that customers do not want to

group's niche retailing offshoots and performed well, but sales in the main discount store division had been below expectations, and the company had had to In contrast, Wal-Mart saw a 27 per cent surge in sales to \$17.7bn a figure boosted by the recent purchase of the Pace membership warehouse stores from

However, the cost of making the acquisitions and converting

downward re-rating last year amid fears that the company had become too big to sustain the same high rates of earnings growth. Wal-Mart countered that its acquisitions would provide a platform for continued rapid

Yesterday Mr David Glass. president and chief executive, said the conversion of the former Pace clubs into Sam's Clubs -Wal-Mart's membership warehouse operation — was substantially complete, and the conver sion of the Woolco stores into Wal-Mart stores should be Alan Cane | achieved by the year-end.

Barclays Bank hedges its **UK** property portfolio

By John Gapper, Banking Editor

Barclays is to hedge itself partially against further losses on its £4.2bn (\$6.3bn) UK property loan portfolio by issuing £150m of derivative debt securities to offset the risk. The issue - the first attempt by

a British bank to balance risks in this way - is intended to protect Barclays while it reduces its exposure to property. A further £100m securities may be issued. Barclays, which made a pre-tax loss of £242m in 1992 after allowing property loans to grow to 9 per cent of the total, decided to hedge because it did not want to sell property loans rapidly at a heavy discount. The capital sum from the Property Index Certifi-

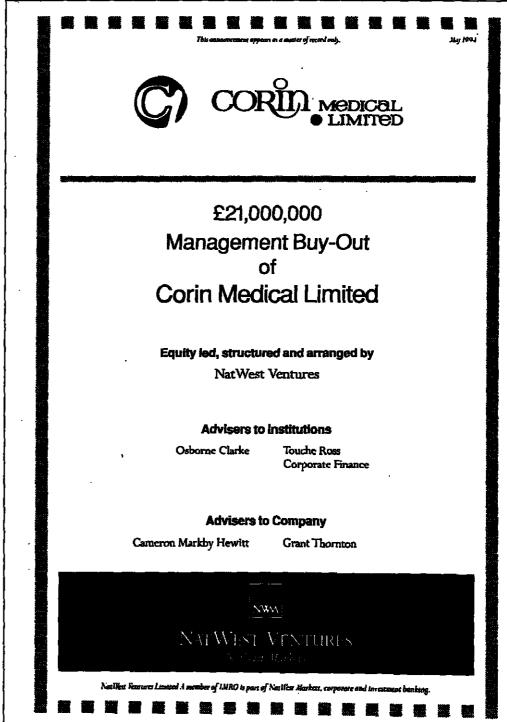
tutional investors in minimum tranches of £250,000, will only be partially repeid if property values fall, allowing it to offset losses on its own book.

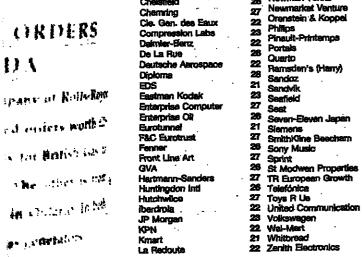
Mr Alan Brown, Barclays' director of group credit policy, said it was "not trying to call the market" by betting on which way property prices would move, but wanted to reduce potential losses if prices fell. This would allow the bank to reduce property loans from the current 6.5 per cent of total lending over the next two to five years. Without a hedge, it would face pressure to refuse new property loans, or sell old ones.

Barclays is marketing the certificates, indexed to the £40bn Investment Property Databank

(PD), as a chance for investors to gain exposure to recovery in the UK property market without having to buy and manage proper-ties. If the IPD index rises, a premium will be paid along with the capital on the redemption data. The quarterly income from the certificates is fixed at 7.3 per cent this year, but will then vary with the index. Many investors want to increase holdings of commercial property but have until now had to buy and manage properties, or invest in unit trusts. Mr James Woodlock, managing

director of BZW Investment Management, which devised the certificates, said Barclays' portfolio offered an unusual chance to devise a security which tracked





Otridende announces BMS currency rates

Euroband prices

Spanish utilities improve their quarterly figures

Telefónica, the partlyprivatised telecommunications group which is the most frequently traded stock on Spanish markets, showed a 15 per cent increase in consolidated net profit in the first quarter to Pta17.34bn (\$125.8m), compared with Pta15.06bn in the same

Parent company earnings before tax were 7 per cent up at Pta19.58bn, with the net figure rising 9.8 per cent to Pta15.47bn, as turnover increased by 6.8 per cent to Pta312.84bn. The company said the results reflected a recovery in demand for telephone services as the Spanish economy began to pick up.

ter held steady at Pta54.5bn. and the company forecast a downward trend, reflecting declining interest rates. Iberdrola, the leading pri-

vate-sector electrical utility, ranking number two in recent stock market activity, reported a 35 per cent rise in pre-tax profit for the quarter, to Pta34.25bn. The result reflected a 12 per cent increase in the company's operating margin together with a reduction of almost 19 per cent in financial charges. The company said it had managed to cut operating

costs by 4 per cent. Turnover was 2.6 per cent up at Pta212.04bn. Provisions were more than doubled in the quar-

Another of Spain's top elec-trical companies, Sevillana de Electricidad, reported a 17 per cent increase in first-quarter after-tax profit to Pta 3.94hn. on sales 3.5 per cent higher at Pta64.54bn. It also said it had been able to strengthen provisions by Pta2.33bn due to reductions in operating and financial costs.

The company faces an increasing challenge through deregulation of the mobile telephone market, which is expected to be opened up to foreign operators later this year, and also through the liberalisation of cable television.

It currently has a monopoly in both sectors, which are its fastest-growing activities in

shown in a 19 per cent rise in

Mr Per-Olof Eriksson, pres-

enting his last report as group

president said: "Order intake

is increasing in most European

countries. The already strong

demand in the US and Canada

continues unabated, as well as

in South America and south-

east Asia." The two weak mar-

kets were Japan and Germany.

demand would continue to

Mr Eriksson predicted that

orders to SKr6.73bn.

Sandvik sees continued growth

markets and the improved

Profits after financial items

for the quarter rose to

SKr626m (\$80.8m) from

SKr486m as sales expanded to

SKr5.79bn from SKr5.3bn. The

Improved demand was

business climate in Europe.

Sandvik, the Swedish cemented carbide and speciality steel group, said yesterday it expec-"significant" improvement in its 1994 result after lifting first-quarter profits by 29 per cent.

Like other Swedish exporters, the group is benefiting from a weak currency and costcutting, assisted by recovering

32% at £234m

By Paul Taylor in London

group said six percentage points of the 10 per cent sales rise was due to price and volume increases, and the rest to currency and structural changes. Operating profit was 46 per cent higher at SKr566m.

demand in many important Whitbread up

Restructuring takes toll on Orenstein & Koppel

By Michael Lindemann in Bonn

Whitbread, the UK brewing, retailing and leisure group reported a 32.2 per cent increase in pre-tax profits to £234th (£351m) in the year to February 26 from £177m the maker to a loss of DM65m previous year, when profits (\$39.1m) in 1993. were depressed by non-operat-However, this is an improve-

Profit before tax and nonoperating items increased 5.8 per cent to £231.7m in spite of an additional £15m charge for

An increased final dividend of 13.8p against 13p last time makes a total of 18.8p against Lex, Page 20

Restructuring costs continued to dent results at Orenstein & Koppel, forcing the construc-tion and mining equipment

ment on the previous 12 months when the group returned a loss of DM116m. The company reported an operating loss of DM3m and has set aside DM52m to finance redundancies and the re-siting

of activities in Dortmund. Turnover in the construction equipment division, which accounts for almost 60 per cent of total turnover, fell 17 per cent resulting in a "very bad operating result" which could not be offset by improved results in the mining and escalator divisions.

The company expects "a

modest profit" this year as it begins to benefit from a threeyear restructuring programme which runs until 1995. O&K. which is 75 per cent owned by Krupp-Hoesch, the steelmaker, recently said it would raise DM144m with a rights issue. Escalator sales rose 53 per cent worldwide to DM382m. helped by the UK arm which won a DM125m contract from the London Underground.

Dasa and Siemens in talks on co-operation

By David Waller in Frankfurt

Deutsche Aerospace, the Daimler-Benz aerospace sub-sidiary, and the Siemens electrical and electronics group confirmed yesterday that they are holding talks about cooperating in the defence technology business.

The two German companies said the discussions were at an extremely early stage and that further details were unlikely to emerge before the summer. However, they said that the discussions would cover a range of structures for strategic and operational co-operation, including the possibility of setting up a joint venture in

The talks take place against backdrop of declining sales and orders for the German defence industry as the government cuts expenditure. However, the government is keen to ensure that Germany maintains its manufacturing expertise in core defence

The companies have been forced to cut jobs in their defence technology businesses and co-operation may lead to more efficient use of existing capacity, the two groups said

VW shake-up in Italy

By Kevin Done, Motor Industry Correspondent

Volkswagen, the leading European carmaker, is restructuring its importer/distributor operations in Italy, Europe's second largest car market. Autogerma, its wholly-owned Italian subsidiary, is taking control of the Italian distribution operations for all of the group's four marques with the takeover of Seat Italia, which distributes Seat's Spanish-produced cars in Italy. Autogerma is currently responsible for VW, Audi and

Skoda distribution in Italy.

VW is gradually rationalis-

ing its group importer/distrib-

utor operations in all of the

main west European markets.

KPN sticks to the letter on sell-off

Dutch take a novel approach to their telecoms privatisation

selecommunications privatisations are now commonplace. The sale of KPN of the Netherlands, launched yesterday, is the fifth European offering in the past year alone, with up to a dozen more in the pipeline. Asia-Pa-cific telecoms is at a similar stage, with a few sales done

and plenty to come. However, KPN is the first large telecoms privatisation to include a state postal service. Elsewhere, posts and telecommunications have been split in the run-up to privatisation, with posts remaining in the

The inclusion of PTT Post in the KPN sale should cause would-be investors no undue concern. The Dutch post office is one of the few postal organisations in the world that can afford to feel relatively sanguine about the shift away from letters in favour of facsimile transmissions and the new world of mobile communications.

PTT Post is one of Europe's few profitable postal operations, contributing nearly a third of KPN's turnover and 15 per cent of its operating profit. It is marketing itself aggressively abroad, and is a pioneer in advanced postal technologies. Its prime aims are to attract greater flows of international business post through the Netherlands and to expand in providing direct-marketing and malling services to corporate clients.

Analysts in the Netherlands recognise the profitability of the country's postal operations and are positive about their inclusion in the privatisation. "Postal activities produce stability in KPN's earnings performance in a telecome environment which certainly has potential but could on the other hand be regarded as 'hostile"," stockbrokers CLN Oyens & Van Eeghen said recently. Postal services apart, the KPN privatisation follows a well-trodden path. An initial 30 per cent stake will be floated early next month. The govern-

and Fl 52 each, raising a mini-mum of Fl 6.35bn (\$3.39bn) for the state and valuing KPN as a whole at more than Fl 18bn. A further sale, taking the government's stake to under 50 per cent, is likely within three years, but at least 30 per cent will remain in state hands for

at least 10 years. The Dutch flotation is taking place for broadly the same reasons as those applying across the European Union. The goverument wants the money, and the state telecoms company wants greater commercial freedom. Competition is intensifying, particularly in the corporate sector, and privatelyowned companies are considered to be better placed to endure the onslaught.

Although small in international terms, KPN's telecommunications division is wellplaced to succeed in the EU's rapidly liberalising telecoms market. With fewer than 50 employees per 10,000 lines, KPN is among the EU's most productive state telecoms companies. Its network is towards the top of the EU league on all measures except the penetra-tion of cellular mobile services. On the international scene, it

is already geared up to attack the corporate market through its loint venture Unisource - a ment announced yesterday that up to 198.15m shares will partnership of KPN and the state operators of Sweden and be sold at a price between Fl 46 Switzerland, with the strong prospect of Telefonica, the Spanish operator, joining soon. arlier this year Uni-source scored a coup

when in alliance with the US giant AT&T, it won a contract to provide a private telecoms network for 30 leading European multinationals – the largest "outsourcing" contract of its kind in the EU. Its future relationship with AT&T is uncertain, but there is the possibility of a more stable alli-

Given such strengths, most analysts believe KPN will prove a fairly easy sell at the offer price. However, the days are passing when telecoms stocks could be guaranteed to float high above their respective stock exchanges. A glance at BT is a cautionary tale.

For the past six months. BT's shares have fallen steadily against the FT-SE All-Share average, and are down by nearly 20 per cent on their relative value a year ago. A contributory factor has been the rapid growth of competition in the UK market. BT commands nearly 90 per cent, but the perception that it will have to relinquish a larger slice of it has spread gloom across the investing commu

KPN could find itself in the same boat. The Dutch government has indicated its willingness to license a second national operator with its own infrastructure - likely to be formed from the country's cable industry and its state electricity and rail operators. The new company will not

Sam

7.(1

1993 1-17

be able to engage in competi-tion with KPN for public voice traffic until 1998 - the EU liberalisation deadline. But if it establishes itself rapidly, it could make inroads into KPN's data and private corporate net-

Andrew Adonis and Ronald van de Krol

La Redoute holders lose | Profits advance of 10.3% appeal over Pinault bid

By Alice Rawsthorn in Paris

Minority shareholders in La Redoute, the French mail order group, yesterday suffered a setback when an appeal court ruled against them in their attempt to oppose the company's takeover by the Pinault-Printemps, retail group.

The shareholders, represented by ADAM, a French minority investors' pressure group, have been lobbying against the bid, unveiled this year by Pinault-Printemps. Pinault, which is one of

France's largest retail concerns, has owned a controlling holding in La Redoute with 54 per cent of the equity and 68 per cent of the voting rights. since its acquisition two years ago of the Au Printemps department store chain.

However, Pinault, which came under fire from minority investors over the terms of the Au Printemps deal, recently revealed plans to buy the remaining shares. Last month it received a "warning" from the stock market authorities over the valuation of its offer. which was otherwise consid-

ered to be fair. La Redoute's minority investors pressed ahead with their lobby against the bid, claiming that the terms were unfair only to be told yesterday by the appeal court judge that which to pursue a case.

for Générale des Eaux

Compagnie Générale des Eaux, the French industrial group, yesterday said it was on course for continued profits growth this year after achieving a 10.3 per cent increase in net profits to FFr3.2hn (\$550m) last year from FFr2.9bn in the previous This was in spite of contin-

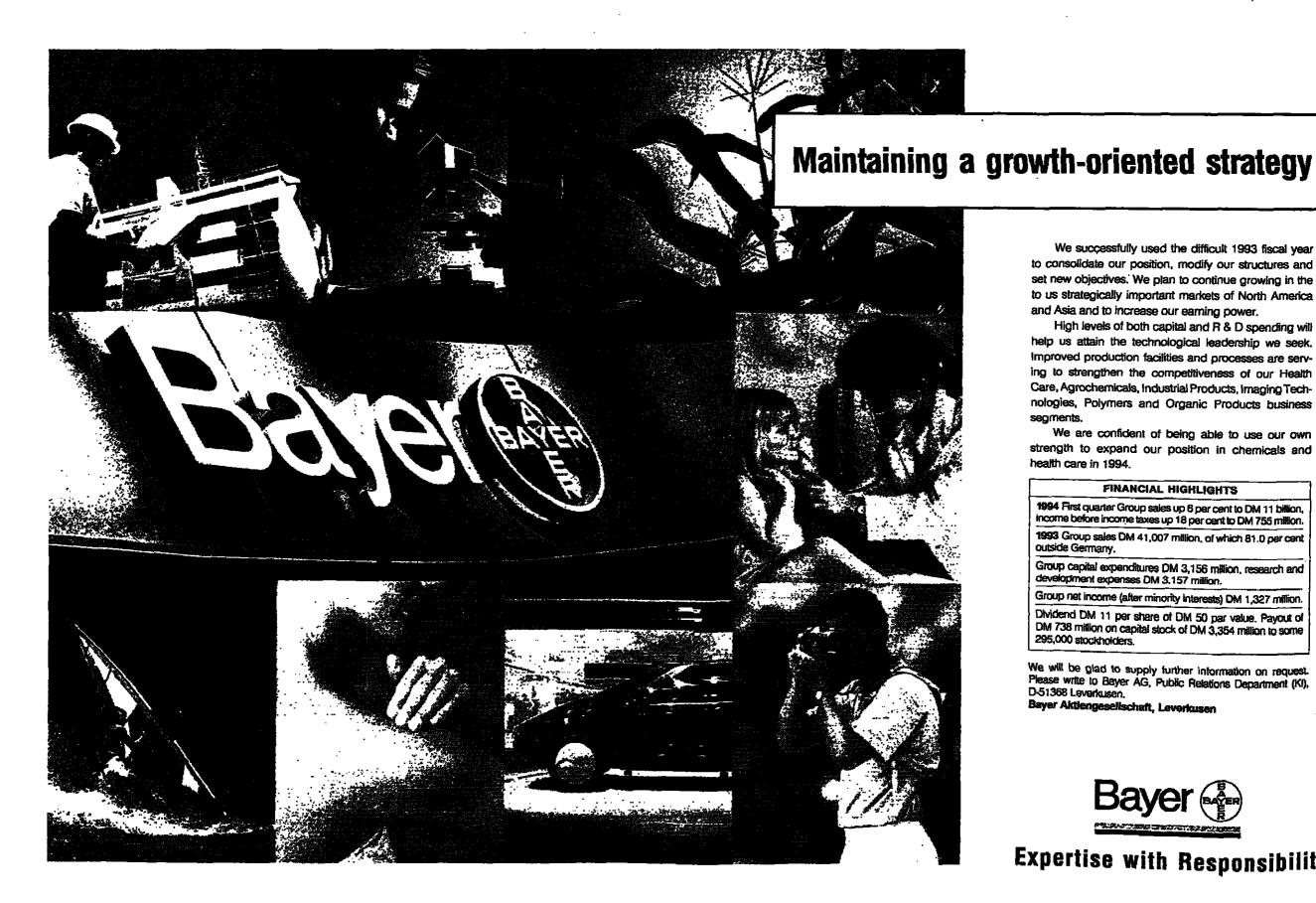
ued losses from its cable television and property interests. The group, which has significant media interests as well as its core construction and utility activities, surpassed analysts' expectations.

Générale des Eaux yesterday said it was "certain" to raise its profits again this year, but added that it could not give precise indications as to the likely figure.

However, the group did specify that it expected to see its turnover rise modestly to between FFr150bn and FFr155bn in 1994, from FFr147.6bn in 1993.

Such an increase would repeat last year's rate of 2.9 per cent sales growth from FFr143.3bn in 1992.

The group said it expected a "slight reduction" in the level of activity of its construction interests, but stressed that the overall outlook for these businesses was showing signs of improvement. It also forecast an improvement from its property management activities.



We successfully used the difficult 1993 fiscal year to consolidate our position, modify our structures and set new objectives. We plan to continue growing in the to us strategically important markets of North America and Asia and to increase our earning power.

High levels of both capital and R & D spending will help us attain the technological leadership we seek. Improved production facilities and processes are serving to strengthen the competitiveness of our Health Care, Agrochemicals, Industrial Products, Imaging Technologies, Polymers and Organic Products business

We are confident of being able to use our own strength to expand our position in chemicals and health care in 1994

FINANCIAL HIGHLIGHTS

1994 First quarter Group sales up 6 per cent to DM 11 billion, income before income taxes up 18 per cent to DM 755 million.

outside Germany. Group capital expenditures DM 3,156 million, research and development expenses DM 3,157 million.

1993 Group sales DM 41,007 million, of which 81.0 per cent

Group net income (after minority interests) DM 1,327 million. Dividend DM 11 per share of DM 50 par value. Payout of DM 738 million on capital stock of DM 3,354 million to some 295,000 stockholders.

We will be glad to supply further information on request. Please write to Bayer AG, Public Relations Department (KI), D 51368 Leverkusen, Bayer Aktiengesellschaft, Lev



Expertise with Responsibility

Sandoz scales back research pact

By lan Rodger in Zurich

Sandoz and The Scripps Research Institute of California have scaled back an ambitious joint research pact following complaints that the Swiss pharmaceuticals group would corner the output of a large publicly-financed US institute.

The original agreement, announced in December 1992. gave Sandoz first rights to all Scripps medical discoveries in return for \$300m in contributions to the institute over a 10-year period.

The revised agreement, announced yesterday, gives Sandoz first rights to only 47 per cent of Scripps's discoveries in return for \$100m in contributions over five years starting in 1997, with an option

for a further five years.

Sandoz has also agreed to give up its casting vote on a Scripps committee that selects research projects and reduced its planned representation on the Scripps board from two to

The original deal drew strong criticism from the US National Institutes of Health (NIH), which provides \$70m of Scripps's \$120m annual research budget.
Ms Bernadine Hegly, NIH

director, told a congressional subcommittee on regulation, business opportunities and technology last June that the agreement "would give Sandoz excessive control over Scripps."

It was, she said, "an aberration, and in my view, a danger-

successful record of co-operation between industry and NIH-funded institutions."

Mr Ron Wyden, the subcommittee chairman, said the deal amounted to "a corporate takeover of one of our biomedical research crown jewels".

The revised agreement explicitly acknowledges Scripps's independence. Mr Urs Barlocher, chief executive of Sandoz Pharma, said yesterday the group's lawyers had perhaps been too rigorous in drafting the original agreement. "It is in our interest that

Mr Bärlocher noted that publicly-funded research bodies were supposed to help small businesses get access to new

Scripps be independent," he

technologies, but it looked in this case as if the small businesses were being squeezed

He said Sandoz would still have the right to look at all of Scripps's discoveries and could select any 47 per cent it wanted. As originally planned, Sandoz would send several researchers to work at Scripps.
"There have never been bad feelings on either side, and we have been able to maintain the spirit of the agreement," he

He was pleased the US authorities had accepted the principle that technology developed at a publicly-financed research institute could be transferred to any interested company, including one that was foreign controlled.

poor demand in overseas markets and the cost of international expansion. Group sales increased by 14 per cent to \$1.46hn, helped by the company's rapid expansion in the US and overseas. However, with costs sharply

income rose by just \$2.1m to Earnings per share, helped by the \$1bn share repurchase programme announced in Jan-uary, rose to 13 cents from 12

higher because of the expendi-

ture of opening stores, net

Toys R Us

overseas

markets

By Richard Tomkins

restricted by

Toys R Us, the US toy store

chain, reported a modest 6 per

cent rise in profits in the first

quarter to April. The group said it had been held back by

Toys R Us said its interna tional operations had lost money in the first quarter, but it expected them to produce operating income of \$150m for the full year, compared with \$103m last year. One factor hitting overseas

sales was continuing weakness in the European and Japanes

The company also suffered from poor demand for video games. It said this was because there were no "hot" titles around and because many people were waiting for the next generation of 32-bit machines to appear.

Overall, international stores that had been open a year or more suffered a downturn in

However, comparable store sales in the US rose by 6.6 per cent, with some strong increases in sales of basic toy merchandise.

JP Morgan sees \$200m profit from sale of stake

pendent company, has proved the most successful merchant

in New York

J. P. Morgan is to take a profit of more than \$200m from the sale of part of its stake in Columbia/HCA, the US's biggest private hospital group.

Morgan said it intended to
sell 6m shares in the hospital group, out of a total of 21.1m. that it owns. At vesterday's midday price of \$37½ - down \$½ on Friday's close – the sale

would raise \$225m, enabling the bank to report a pre-tax profit of some \$210m. The 1989 buy-out of Nash-

banking deal undertaken by the US bank. Morgan paid about \$50m for a stake which at yesterday's market price was worth \$790m. HCA was taken public again in 1992 at \$21.50 a share and last year agreed to an all-stock

> about \$32 a share. The sale seems likely to be followed by a rapid disposal of Morgan's remaining stake in the hospital group.

takeover by Kentucky-based

Columbia, which valued it at

The bank declined to say whether further sales were planned, but added: "Like any investment in that [venture capital) portfolio, it has a life

Most buy-out investors hope to liquidate their holdings and realise profits within five years or so of making an investment. The HCA stake accounted for about two-thirds of the \$1bn of unrealised investment gains reported by Morgan at the end of last year. During 1993, it realised profits of \$246m from selling equity holdings, \$86m of it related to HCA.

Philips arm in multimedia ioint venture

By Louise Kehoe In San Francisco

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rale des Eau

Philips Consumer Electronics, a division of the Dutch electronics group, Zenith Electronics, the US television and electronics manufacturer and Compression Labs, a specialist in video conferencing technology, are combining their efforts to develop and market technology for interactive television services.

Under the agreement, they will jointly develop and market TV set-top-boxes for both digital and analogue networks.

These devices will enable cable television and telecommunications network operators to deliver a wide range of programming options, such as video-on-demand, video games, home shopping and other video services with two-way interactive communications.

The companies plan to combine digital and analogue television standards to create settop-boxes capable of receiving today's analogue signals as well as future digital transmis-

eral network providers are selecting the equipment they will use to provide interactive entertainment and information services to the home.

The company said its global engineering, marketing, manufacturing and support infrastructures, with those of Zenith and Compression Labs, made a group that understood

NBC forms partnership with Mexican broadcast group

in London and Ted Bardacke

NBC, the US network broadcaster, has agreed a partner-ship with Television Azteca, the recently privatised Mexi-

can broadcaster. The US group also has an option to take a stake of between 10 per cent and 20 per cent in the Mexican company.

The deal is the latest example of 'NBC's globalisation strategy - taking stakes or forming alliances around the world rather than simply selling individual programmes. Last year, NBC acquired Super Channel, the European satellite channel and last month announced it would be

transmitting by satellite into Initially, the deal with Television Azteca will involve NBC

helping with everything from on-air promotions, programme scheduling and technology, to advertising sales and station

Television Azteca, with its two channels, is challenging the four-channel dominance of Televisa, South America's leading broadcasting group.

Mr Tom Rogers, head of NBC

Cable and an executive vice president of NBC, said yesterday that the deal fitted NBC's globalisation strategy, and he saw potential for growth in the Mexican market. Mr Richard Salinas, whose family owns the Elektra Group, a consumer electronics consortium, bought the two networks last July. Channel 7, available in Mexico City, is largely made up of US programmes and aimed at the young. Channel 13, a national

soap operas, news and sport. influenced by the NBC deal, is estimated to have risen from about \$650m last year to closer to \$1.2bn. Azteca will be able to offer

programmes from NBC and Canal de Noticias, the company's 24-hour-a-day Spanish-lan guage news service, and CNBC, the US company's specialty cable service, as well as locally produced programmes.

NBC is making more effort to expand internationally than the main three established US

the US as an increasingly mature business. Mr Salinas said yesterday: "NBC's name, image, manage ment expertise and relationships will provide a unique opportunity to enhance the value of Television Azteca."

networks - partly because it

sees the network business in

EU eases rules for cross-border listings

European economic and finance ministers yesterday agreed to simplify listing requirements for the shares of European Union companies that wish to be listed on the stock exchanges of other mem-

ber states. The directive will significantly lower the cost to compa-nies of cross-border listing by allowing some of the information previously required for listing, to be partially or fully waived by the relevant authorities in the host country. In future certain companies

will be able to be listed in other member states without publishing a new listing prospectus.

The move applies mainly to companies of "high quality, large size and international standing, listed in the Community for at least three years

and showing a good record of

All of these securities having been sold, this announcement appears as a matter of record only

compliance with European Union listing directives, according to the European

The move fell short of complete mutual recognition by the stock exchanges of the 12 member states but was, according to the London Stock Exchange, a "significant step towards mutual recognition and very useful for smaller companies wishing to move to full listing"

The Commission said the directive was expected to bring about a more efficient simple market in securities. In particular, it would assist efforts by the Federation of European Stock Exchanges to launch the so-called Eurolist project.

This aims to provide deeper and more liquid markets for well established European Union companies with international standing by listing their shares simultaneously in at least six member states.

Mead plans to divest on-line services unit

Mead, the US paper, wood products and packaging group, plans to divest Mead Data Central, the electronic information division best known for its Lexis/Nexis on-line services, Reuter reports from Dayton,

According to analysts, Mead should get about \$1bn for the division and will probably sell it to a communications group with which it has an alliance. The Mead Data unit was acquired for \$8m in 1968. It said it is the world's largest provider of on-line information services for legal, news and financial information and a leading force in the electronic publishing market

The legal publishing market is worth \$3bn and Mead Data had revenues of \$551m in 1993. The on-line services, legal print and CD-ROM products, electronic publishing software, and productivity software are

Reshuffle at Kodak

Eastman Kodak of the US is combining its corporate and Kodak Imaging Group staffs,

tive Mr George Fisher.

Under the new structure, Mr

vice president of the group. Mr Bourns is now a senior vice president with responsibility for Kodak manufacturing

channel, specialises in comedy,

operations Both will have full responsibility across the group, Kodak

Reuter reports from Rochester. The group said this was one step in creating a corporate structure "consistent with the corporate strategy" unveiled two weeks ago by chief execu-

Leo Thomas will remain president of Kodak Imaging Group

Mr Wilbur J. Prezzano, who remains president of Kodak's Health Group, is spearheading the company's effort to divest

with Mr Richard Bourns joinits non-imaging health busiing him in the general manage-

By Emiko Terazono in Tokyo

Seven-Eleven Japan, the leading Japanese convenience store chain, will join forces with Philip Morris, the US foods and tobacco group, to develop processed foods and canned beer for the Japanese and American markets.

The move will provide the retailing group with low-priced beer and food products and give Philip Morris increased

Net Income

access to the Japanese market and US convenience stores. Japanese retailers are trying to lower product costs by tying

up with manufacturers and bypassing wholesalers. Seven-Eleven and Miller Brewing, Philip Morris's brewing subsidiary, will launch a low-priced beer in Japan in June. The product will be sold later in the US. The price of the beer will be 20 per cent

the four leading Japanese

subsidiary. The two compa lower than the retail price of

Philip Morris in Japan retail link the canned beers produced by

> brewerles. The retailer, which owns Southland, the Seven-Eleven operator in the US, is also teaming with Kraft General Foods, a Philip Morris foods have been test marketing chilled sandwiches in Texas, and Seven-Elevan plans to sell Kraft products, such as cheese and coffee, in Japan.

> > +1.2



Tele Danmark A/S

Global Equity Offering 63,229,770 B Shares

Joint Global Coordinators

Goldman Sachs International

Den Danske Bank

37,310,000 B Shares

in the form of American Depositary Shares or B Shares This portion of the offering has been sold outside the United States by the undersioned.

Europe UBS Limited Deutsche Bank Paribas Capital Markets Goldman Sachs International Creditanstalt-Bankverein

BBV Interactivos, S.V.B. Drescher Bank Credit Lyonnais Securities Internationale Nederlanden Bank N.V. Indosuez Capital **Swiss Bank Corporation** KB-Securities

Enskilda Corporate

Nordic **Ben Danaka Bank**

Den Danske Bank

DnB Fonds AS Unibank

Prospectus Ltd

Rest of World

Goldman Sachs International Den Danske Bank Daiwa Europe Limited Robert Fleming & Co. Limited Wood Gundy Inc. The Development Bank of Singapore Ltd Nomura International

United Kingdom

RBC Dominion Securities Inc. Wardley Corporate Finance Limited

Barclays de Zoete Wedd Limited

Den Danske Bank Goldman Sachs International Kleinwort Benson Securities Сврепоуе & Со. NatWest Securities Limited

N M Rothschild and Smith New Court

25,919,770 B Shares In the form of American Depositary Shares or B Shares This portion of the offering has been sold in the United States by the undersigned.

Goldman, Sachs & Co.

Merrill Lynch & Co.

Beer, Steams & Co. Inc. Salomon Brothers Inc

Lehman Brothers

J.P. Morgan Securities Inc. Smith Barney Shearson Inc.

Camedia

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Goldman Sachs International

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1993 FINANCIAL FIGURES

188,918 Itl billions	+0.2 %
100,839	+6.5
108,232	+7.1
8,526	n.s.
2,257	+29.9
1,434	+13.9
	100,839 108,232 8,526 2,257

 In 1993 Istituto Bancario San Paolo di Torino SpA merged with its two domestic banking subsidiaries, Banco Lariano SpA and Banca

636

- Provinciale Lombarda Spa ■ The 1993 financial figures represent the results of Istituto Bancario San Paolo di Torino SpA after the merger
- . The branch network at the end of 1993 consisted of 959 domestic branches, 12 foreign branches and 11 foreign representative offices After the special tax-free provision made in accordance with the Law n. 218/90 (Amato Law), the net income amounted to Itl 479 billion and
- the earnings per share equalled Itl 645 ■ The dividend per ordinary share is Itl 360 payable from May 17, 1994

Copies of the annual report can be obtained at the following address: Istituto Bancario San Paolo di Torino SpA, Piazza San Carlo 156, 10121 Torino, Italy Telephone (+39) 11 555 2868 - Facsimile (+39) 11 555 6282

INTERNATIONAL COMPANIES AND FINANCE

Goldenberg said in an inter- munications company, Tele

view in London. "Ten years 2000, notched up another first

- a \$40m issue of convertible

three-year Euronotes through

Barings Securities and Bankers

Trust - even though it paid a

higher interest rate than origi-

Bankers Trust, in a joint

venture with stockbrokers

Peruval, is also co-ordinating the first fully-fledged American

depositary receipt placement of

shares in a Peruvian company.

The state has agreed to offer

its 38 per cent holding in Cementos Lima simulta-

neously on the stock exchanges of Lima and New York. No date for the issue has

yet been set.
At the same time, Peruvian

companies are seeing growing

opportunities for financing

themselves domestically

pension funds, or AFPs.

through the growth of private

Launched in June last year

the AFPs have signed up more

than 800,000 salaried workers

out of an initial target group of

1.2m who are expected to

switch from the moribund pen-

sion scheme provided by Peru's social security institute

Eight companies are vying

for the pension funds market -

almost all have international

backers, including Aetna, Citi-bank, ING Bank of the Nether-

lands as well as Chilean coun-

terpart funds like Provida,

The total fund size is small,

around an estimated \$95m. But

once the state starts meeting

its contributions for public sec-

tor workers, around \$25m a

month, money will be flowing

into the AFP coffers, amount-

ing to some \$300m by the end

of the year and a possible total

Peru has had the advantage

fund of \$4bn within five years.

of not being the first-comer,

says Mr Carlos Bolona, econ

omy minister from 1991 to 1993

and architect of the structural

reform programme. "We did in

two years what took six in Chile, and we've gone further in many reforms than Chile or

Additional reporting by Step-

1993. Further financial details

were not immediately avail-

Samart, a smaller communi-

cations company, reported a

near quadrupling of net profit

in the first quarter to Bt46.62m

from Bt11.92m. Earnings per

share rose to Bt1.04 from

• Bangkok Bank, Thailand's

largest bank, reported weaker

profits in the first quarter,

with net earnings slipping 4.3 per cent to Bt3.55bn. The bank

explained that the comparable quarter of 1993 included an

34.7 per cent to Bt2.11bn, while

Krung Thai Bank announced a

exceptional gain of Bt1.5bn. Other big banks reported increased profits. That Farmers Bank said net profit rose

hen Fidler and Ken Warn.

Bolivia.

Habitat and Cruz Blanca.

nally expected.

Investors dismiss setbacks

to Peruvian privatisations

ago you couldn't have given

Part of the success was due,

he said, to expectations of

growth. "Our economy grew

last year by ? per cent. The official forecast for this year is

5 per cent, but we are pretty

President Alberto Fuitmori:

began economic reform in 1990

sure it will be more than that."

GDP in the first quarter is

reported to have been 8½ per

cent higher than a year earlier.

have been further heartened

by rises in the prices of some

cycle becoming more favoura-

bly disposed towards the pro-

viders of raw materials, and

with corporate profits rising at

30 per cent per annum, the expectation has to be that the

stock market in Lima will con-

tinue to do better than most,"

said investment strategist Mr

Roger Nightingale of London-

This year has also seen Peru-

vian companies raise foreign

finance for the first time in

decades - although the envi-

ronment has become more dif-

ficult in recent months. In mid-

March, Peru's Gloria group, in

association with VestcorPart-ners, a Miami investment

bank, launched a \$40m Euro-

bond issue - the first from

A privately-owned telecom-

Peru in more than 20 years.

By Victor Mallet in Bangkok

United Communication

Industry (Ucom), the diversi-

fied That telecommunications

group whose parent company

is 25 per cent owned by Moto-rola of the US, yesterday announced almost doubled net

profits for the first quarter of

this year to Bt416.6m (\$16.5m)

Ucom, one of several Thai

companies profiting from a

rapid expansion of telecommu-

nications business in south-

east Asia, was listed on the

Stock Exchange of Thailand

five months ago. Earnings per share were Bt3.56, against Bt10.47 because of the issue of

The quarterly profit on compares with the Bt713m made in

new stock.

from Bt209.4m previously.

based Latinvest Securities.

With the world economic

raw materials.

Investors in general may

these companies away."

nterest both from foreign

direct and portfolio inves-

tors in Peruvian assets

Lima's stock market has

held up well, in spite of rises in

US interest rates which have dented the enthusiasm of stock

and bond investors for Latin

However, after a successful

telephone company privatisa-

tion in February, the govern-ment failed in its attempt last

week to sell the mining and

The sale in February of

Peru's two state-controlled

telecommunications compa-

nies, CPT and Entel, to Tele-

fónica of Spain yielded more than US\$2bn - well above most

expectations and setting a pace

which may have been impossi-

However, the mability to sell

Centromin at the first attempt

is not being seen by foreign

bankers as a body-blow to Peru's privatisation plans.

Interest in the country's min-

ing sector remains high – some

800 people are attending a

three-day gold mining confer-ence in Lima. The auction's

failure was, it is said, more a

reflection of the mining compa-

ny's specific problems, in par-

ticular its possible future envi-ronmental liabilities.

Still to be sold in the next

few months are a series of fish-

meal plants owned by Pesca-

peru; the distribution and gen-

eration systems of Electrolima

and Electroperu; and Inter-banc, the first of two state-

owned banks to come to mar-

ket. The privatisation list also

includes cement producers

Lima and Norte Pacasmayo,

and the Cajarmaquilla zinc

Mr Rfrain Goldenberg, the

Peruvian prime minister, said

the government expected to

raise more than \$3bn this year

from its privatisation pro-

gramme – and noted some pri-

vate estimates are even higher.

The sale of the telephone

companies was an indication of

the distance Peru has come

since President Alberto Fuji-

mori came to power in 1990, Mr

smelter and refinery

ble to match.

refining giant, Centromin.

continues to be significant in

spite of recent setbacks.

American markets.

Bank of Zambia

Commercial Debt Reduction Programme

Bank of Zambia ("BoZ") is launching a debt reduction programme in the form of a commercial debt buy-back, supported by the international Development Association and certain donor conntries

The debt reduction programme is subject to and governed by the terms and conditions set forth in the "Invitation to Credizors to Submir Offers Covering Eligible Debt of or Guaranteed by Bank of Zambia and the Republic of Zambia" dated 11th May, 1994 (the "Invitation to Creditors").

In this connection, Bank of Zambia invites persons claiming to be holders of foreign exchange trade bill, dividend remittance, technical fee or royalty remittance arrears, incurred prior to 4th October 1985 ("Pipeline Debt"), in excess of US\$5,000 as to the aggregate claim, but excluding personal remittances, to contact the following if they have not yet received a copy of the Invitation to Creditors:

Bank of Zambia, External Debt Division P.O. Box 30080, Lusaka, Zambia Tel. No: 260 1 22 33 26

Fax No: 260 1 22 33 26

S.G.Warburg & Co. Ltd., Overseas Advisory Group, 2 Finsbury Avenue London EC2M 2PA Tel. No: 44 71 395 2376 Fax No: 44 71 860 0901

The Offering Date - the deadline on which offering telexes must be received by the Closing Agent (S.G. Warburg) is 24th June, 1994.

U.S. \$200,000,000



Exterior International Limited

Guaranteed Floating Rate Notes due 2001 Unconditionally Guaranteed as to payment of principal and interest by

Banco Exterior de España, S.A. (Incorporated with limited liability in The Kingdom of Spain)

Notice is hereby given that for the six months Interest Period from May 17, 1994 to November 17, 1994 the Notes will carry an Interest Rate of 5.1875% per armum. The Interest payable on the relevant interest payment date, November 17, 1994 will be U.S. \$265.14 per U.S. \$10,000 principal amount of Notes.

By: The Chase Manhattan Bank, N.A. London, Agent Bank

May 17, 1994



A National Westminster Bank (Incorporated in England with limited liability) U.S.\$500,000,000 Junior FRNs

Notice is hereby given that the Rate of Interest has been fixed at 5.625% and that the interest poyable on the relevant Interest Poyment Date November 17, 1994 against Coupon No. 21 in respect of U.S.\$25,000 nominal of the Notes will be U.S.\$718.75 and in respect of U.S.\$5,000 nominal of the Notes will be U.S.\$143.75.

May 17, 1994, London By: Citibank, N.A. (Issuer Services), London Branch, Agent Bank

U.S. \$100,000,000

DEN DANSKE BANK

Den Danska Bank af 1571 Aktiesuiskub Perpetual Subordinated Floating Rate Notes

in accordance with the provisions of the Notes, notice is hereby given that to the Interest Period from May 17, 1984 to November 17, 1994, the Notes will carry an interest Rate of 5s % per arruum. The Interest payable against Coupon No. 20 on the relevant Interest payment date, November 17, 1994 will be U.S. \$281,11.

0

US \$100,000,000

Continental Cablevision, Inc. Senior Subordinated Floating Rate Debentures due 2004

In accordance with the provisions of the Debentures, notice is hereby given that for the interest period May 16, 1994 to August 18, 1994 the Debentures will carry an inherest rate of 7446 per ganum. Interest payable on the relevant laterest payable on the relevant laterest payment date August 16, 1994 will amount to US \$2,02,50 per US \$300,000 Debenture

BANQUE PARIBAS

ECU 350.000.000 Kingdom of Belgium Floating Rate Notes due 1999 lasted in two tranches of ECU 200,000,000 (lst tranche) ECU 150,000,000 (2nd tranche)

For the period from May 17, 1994 to August 17, 1994 the Notes will carry an interest rate of 575% per summ with an interest amount of ECU 1,429.51 per ECU 100,000 Note. The relevant interest payment date will be August 17, 1994.

BANQUE PARIBAS

BANQUE INDOSUEZ

US \$150,000,000

Subordinated Floating Rate Notes

due 1998

Notice is hereby given pursuant to the Terms and Conditions of the Notes that for the six month period from May 17th, 1994 to November 17th, 1994 the Notes will carry an interest rate of 5,825% for annum

125% per annum. 1 November 17th, 1994 interest of 15 \$148,861,11 will be due per US 1,000,000 Note for Coupon No. 13.

Banque Indosuez Luxembourg S.A. Fiscal and Agent Bank



U.S. \$150,000,000

ber, 1994 has been fixed at 5.8625%, per annum. The interest accruing for such six month period will be U.S. \$29.96 per U.S. \$1,000 Bearer Note, and U.S. \$299.64 per U.S. \$10,000 Bearer Note and U.S. \$2,996.39 per U.S. \$100,000 Bearer Note on 16th November, 1994 against presentation of Coupon No. 3.



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RED NACIONAL DE LOS **FERROCARRILES ESPAÑOLES**

US\$500,000,000 Floating rate notes due 1998 Unconditionally guaranteed by THE KINGDOM OF SPAIN

provisions of the notes, notice is hereby given that for the six months interest period 17 May 1994 to 17 November 1994 the notes will carry an interest rate of 5.125% per armum. Interest payable on 17 November 1994 will amount to US\$261.94 per US\$10,000 note and US\$2,619.40 per US\$100,000 note.

Agent: Morgan Guaranty JPMorgan



HSBC Holdings plc U\$\$250,000,000 Subordinated collared

floating rate notes 2008

The notes will bear interest at 5% per annum for the interest period from 17 May 1994 to 17 November 1994, Interest payab on 17 November 1994 will amount to US\$25.56 per US\$1,000, US\$255.56 per US\$10,000 and US\$2,555.56 per US\$100,000 note.

Agent: Morgan Guaranty Trust Company

JPMorgan



& Investment Corporation tesublished studen the laws of the Prople's Resublic of Cultural

Floating Rate Notes due 1998 In accordance with the provisions of the Notes, notice is hereby given that the Rate of Interest for the six month period ending 16th Novem-ber, 1994 has been fixed at 5.8625%



Minorco to Regional growth lifts restructure Thai telecoms groups Chilean side

in Johannesburg

Minorco, the Luxembourgbased mining and mineral resources company which is part of Anglo-American, the South African conglomerate, plans to restructure its Chilean operations in a move expected to raise up to \$230m for its

Mantos Blancos subsidiary. Under the plan, yet to be approved by Mantos Blancos hareholders, Mantos Blancos will sell its 49.9 per cent interest in Minera Mantos Minorco (MMML) to a wholly-owned offshoot of Minorco for \$110m.

Minorco already controls the other 51.1 per cent of MMML, a company formed in December 1992 to buy a one-third interest in the Collabusi copper joint venture with Chevron Explora-tion Corporation of Chile. Mantos Blancos, which is

74.9 per cent owned by Minorco, will also try to raise a further \$120m through a rights issue. The rights issue will not

be underwritten.
Of the funds raised, \$146m will be earmarked for Mantos Biancos' Santa Barbara/SX-EW project, which will expand the company's total copper erves to 116m tonnes from 53m tonnes and extend the life of mine to the year 2010. The remainder will go to the Mantoverde copper project.

BHP buys Mexican stake By Nikki Tait in Sydney

Broken Hill Proprietary, the Australian resources group, has acquired a 14 per cent interest in Grupo Ferro Minero. GFM's main interest is an 82.7 per cent stake in Minera Autlan, a Mexican manganese ore miner and ferro alloy smelter.

Autlan is based in Mexico City, and its local operations have the capacity to produce more than 500,000 tonnes of ore

and up to 200,000 tonnes of ferro alloys per year.

No purchase price was given for the GFM stake, but BHP described the deal as a "strategic alliance" which would back up a five-year ore sales contract to Autlan. During this period, BHP Manganese will supply all of Autlan's imported

BHP said this could be up to

Pre-tax profits slip at Sony Lima shrugs off US rate rises, reports Sally Bowen music unit

Sy William Dawkins in Tokyo

Sony Music Entertainment, the 71 per cent-owned enter-tainment subsidiary of the Sony electronics group, yesterday unveiled a fall in profits and its first annual sales decline for nine years.

Pre-tax profits fell 11.7 per cent to Y19.84bn (\$189.4m) on sales down 1.2 per cent to Y99.6bm. This was a result of lack of hits by Japanese musi-cians, said Mr Kazutoshi Shiraishi, Sony Music Entertainment's managing director.

The poor performance of domestic music was only par-tially offset by increased sales of discs by Billy Joel, experiencing a revival in Japan, and other foreign stars.

Net profits rose 0.6 per cent to Y12.01bn, due to a temporary drop in corporate tax pay-ments, but will shrink again to an expected Y9.7bn this year as the tax bill rises, said Mr Shiraishi. He expects a revival in sales

of Japanese music discs, but not in foreign discs or videocassettes. On these grounds, Sony Music Entertainment expects pre-tax profits to fall this year, to Y18.5bn, on sales of Y99.3bn

The annual divided has been increased from Y22.5 to Y25 per share. Per-share earnings were down from Y133.36 to Y116.62 last year, due to dilution caused by a share issue.

Nedcor buys stake in HK bank offshoot

Nedcor, the South African banking group, has taken a 20 per cent stake in Equator Holdings, a subsidiary of Hongkong and Shanghai Banking Corporation. Cost of the deal has not been

Equator Holdings operates throughout sub-Saharan Africa, providing merchant banking, specialist trade and fund management services.

The move is the latest in a by Nedcor, which has publicly announced its aim to become a banking force throughout the African continent.

The group has already entered into a strategic alliance with three European banks – Dresdner Bank, Banque National de Paris and Banque Bruxelles Lambert - on operations in

Africa. "We believe the Equator deal will help to create synergies across the region that will be of benefit to our foreign clients." said Nedcor.

THE STATE OF THE PARTY.

Telecom NZ ahead 15.4%

Telecom New Zealand, controlled by Bell Atlantic and Ameritech of the US, reported net earnings up to NZ\$528.hm (US\$308.8m). Mr Roderick Deane, chief

executive, said strong progress had been made on all fronts with operating revenue rising by NZ\$22.7m to NZ\$2.49bn. Telecom claimed success in countering competition, increasing operating efficiency and raising call volumes.

Domestic call volumes rose 9.9 per cent, while international calls rose 11 per cent. Operating expenses fell 3.9 per cent excluding abnormal restructuring costs.

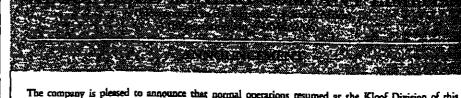
DIVIDEND NOTICE

Agnico-Eagle Mines Limited Dividend #14 of 10 cents (U.S.) a share, is payable May 24, 1994 to shareholders of record April 19, 1994.

Dated this 10th day of May, 1994.

Barry Landen Secretary Toronto





80,000 tonnes a year.

The company is pleased to announce that normal operations resumed at the Kloof Division of this company with the commencement of the night shift on 15 May 1994.

This follows an announcement dated 12 May 1994 concerning unlawful industrial action at the Kloof Division which commenced on 5 May 1994.

The resumption of operations follows the constant urging of management since the commencement of the unlawful industrial action, a subsequent interim court order handed down by the Supreme Court, and advice to employees from the President of the National Union of Mineworkers.

Discussions at the weekend between the management of the company and the union leadership led to the. identification of competitive alternative means of expediting further procedures in terms of the Labour Relations Acr to determine the fairness of the dismissal of the chairman of the branch committee of the

Given that such procedures have been available throughout the course of the unlawful industrial action, which has negatively impacted on the company, its employees and the state, this action is to be regretted. This impact includes a loss of six full days of underground production which could have generated revenue estimated at between R20 and R30 million.



16 May 1994

By Patrick Harverson in New York and Conner Middelmann and Graham Bowley in London

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US government securities opened a week in which the Federal Reserve is expected to raise interest rates further

with solid gains. By middey, the benchmark 30-year bond was up at 1853, yielding 7.431 per cent. Prices were slightly firmer at the short end of the market, where the two-year was up 🕯 at 994, to yield 5.980 per cent.

Prices firmed gradually after Supported by firmer US the start of trading in New York, but dealers struggled to explain why the market opened in such an upbeat mood.

The morning's economic statistics, showing a 0.3 per cent rise in April industrial production, were in line with expecta-

tions, and some analysts suggested prices climbed after the figures were released because the market was relieved that there were no nasty surprises in the data.

Trading was described as quiet, with many participants choosing to remain on the sidelines until after today's meeting of the Fed's open market committee. Expectations are high that the FOMC will sanction an interest rate increase at the meeting.

bouds, most European markets posted moderate gains in quiet trading as dealers awaited the outcome of the FOMC meeting. German government bonds led the advance, with the 10year sector gaining about 1/2

point on shifts to the longer

end of the yield curve.

The German yield curve has steepened sharply in recent weeks, with the spread between two-year and 10-year yields widening to around 125 basis points, from 80 basis points about a month ago. However, after the Bundesbank's 1/2 point cut in its dis-

count and Lombard rates last

week, many analysts are re-

GOVERNMENT **BONDS**

commending curve-flattening trades, suggesting that investors sell short-dated paper and move into long-dated bonds. Last week's rate cut "is likely to be the last official move until after the summer recess", said Mr Graham McDevitt, bond strategist with market analysts DEA.

rate can edge some 50 basis points lower over that period, he feels this is largely discounted in forward rates. At the long end, he said, bunds are resisting further selling pressure and with US Treasuries also showing signs of resilience, "a decisive [tightening] move by the Fed this week could spark a substantial corrective rally through European

quite widely owned now and the inflation outlook is going to be very positive, I think moving longer in Germany and other continental European markets could be rewarding over the next three months or so," agreed Mr George Magnus. chief international economist at S. G. Warburg Securities. The June Bund futures con-

Since shortening trades are

bond markets".

BOTTOWER US DOLLARS

D-MARKS

SBC Pinence (Cayman Islands) GBCC

AB Swansks Exportigadii Swadish Export Cradit

FRENCH FRANCS Republic of Finland

Genossanschaftliche GLBk.±

ing, up 0.66 points on the day and near its 95.95 high. French government bonds followed German bunds higher. with the June notional bond

Trade in UK government bonds was subdued as participants turned their attention to the implications of Friday's announcement of a short-dated convertible gilt issue and the FOMC meeting.

future on Matif rising 0.57

points to 94.58.

"Attention all day has been directed towards working out what the convertible announcement means and as a result performance has not been dramatic," said Mr Simon Briscoe, economist at S. G. Warburg Securities. Details of the size and maturity of the issue, which will be

NEW INTERNATIONAL BOND ISSUES

Jun, 1999 0.20

FT-ACTUARIES FIXED INTEREST INDICES

123.12 144.19

184.82

+0.09 +0.26 +0.07 +1.45 +0.19

+0.01

7.00 98.606R Jun.2004 0.325R +32 (51/2%-04) Banque Paribes

auctioned on May 25, are due to be published by the Bank of England at 3.30pm.

But Mr Briscoe said that yesterday's data showing low UK producer price inflation helped the market hold on to the gains it made on Friday after the amouncement of the issue. Producer output prices in April registered their lowest annual increase since December 1986.

"This is very good news," said Mr Briscoe. "There are clearly few signs of inflationary pressures in the economy." He said that other UK data due this week, including retail price inflation and retail sales, will be important for evidence of a strengthening recovery and of inflationary pressures.

The June long gilt futures contract on Liffe traded at 105 by late afternoon, down &

points from Friday's close.

Swies Benk Corp Goldmen Sachs

LTCB Intl/MLLynch Morgan Stanley

BNL/Sen Paolo di Torino

Latin America fund

The International Finance Corporation (IFC), the private sector arm of the World Bank, has invested \$15m in a new Latin American corporate bond fund which it helped to set up. A number of US pension funds and European institutions have also put money into the Dublin-listed fund, bringing total investment to \$80m, said Mr Marc Wenhammar, head of fixed-income at Foreign & Colonial Emerging Mar-

By Antonia Sharpe

end fund. Mr Wenhammar said that the fund's first gains would come from the higher income which the dollar-denominated bonds would provide but that its medium-term aim was to make capital gains from a reduction in yield spreads on the bonds. He said that it also

kets, the advisers to the closed-

wanted to take advantage of secondary market disparities The fund was launched in April in the aftermath of a sell-off in emerging market bonds triggered by a tightening in US interest rates in February. Mr Wenhammar noted that yield spreads on Mexican corporate bonds had come

close to 400 basis points over

US Treasuries but that they

had since narrowed to around

270 basis points. About 70 per cent of the fund has already been invested. with just under half going into Mexican corporate paper while Argentine and Brazilian debt account for 30 per cent and 20

per cent respectively. Mr Wenhammar said the fund's initial investments have been in liquid corporate issues but that at a later stage it hoped to buy convertible

Finland opts for French franc sector with 10-year offering

By Peter John and Antonia Sharpe

The Republic of Finland's FFr6bn offering of 10-year Eurobonds dominated an enlivened session in the Eurobond primary market yesterday.

The issue was priced to yield 32 basis points above the 5.5 per cent French government bond which expires in 2004. Some dealers said the pricing was too tight, and when trading began the spread widened to around 36 basis points.

They argued that Finland had paid 11 to 15 basis points over Libor for the funds, which are being kept in French francs, and the borrower could have achieved better terms by issuing in another currency, such as yen or dollars, and swapping into French francs. However, lead manager Pari-

bas said that swap spreads are very tight and such arbitrage opportunities are virtually

Mr Veikko Kantola, Fin-land's director of finance, said he had considered various European currencies but opted for the Euro-French franc sec-

tor as it looked the most attractive after last week's flurry of European interest rate cuts. He added that the pricing of yesterday's issue showed that Finland's standing in the market was continuing to improve.

INTERNATIONAL BONDS

"The last [French] franc deal nearly two years ago carried a 41-point spread," he said. According to Mr Kantola, Finland is expected to raise the equivalent of \$7bn this year because of the recovery in the country's economy. This compares with \$11.5bn in 1992 and \$8.5bn last year.

Demand for the bonds came mainly from French insurers Paribas said. SNCF, the French. state railway company, is expected to launch an offering of FFr2bn to FFr3bn later this week.

The dollar was in vogue as GECC, the financing arm of General Electric, issued a \$250m three-year bond priced to yield 10 basis points over US Treasuries. The deal was closely followed by a similar self-led offering from Swiss Bank Corporation. The two issues continued a trend established a month ago by AT&T, the US telecoms giant, and further deals are expected this

Dealers said yesterday's offerings reflected growing demand for short-dated Eurodollar paper from European retail investors who believe that a further half-point rise in the Federal funds rate has been discounted. SEK, the Swedish export

agency, raised a total of Y45hn

ITALIAN LERE Eurolima(ο) 300bn Final terms and non-calable unless stated. The yield spread (over netwant government bond) at liturich is supplied by the lead manager, \$\text{the re-offer level.}\ a) Coupon pays 2.7% units 31/5/95, then pays 3.35% thereafter. Call option on 31/5/95 at par. b) Calable at per on the 15/6,2001/2002/2008, c) 6 mith Floo plus 0.05%. ings. It is believed to have swapped the proceeds of a

Y35bn issue into dollars, ach-

300

ieving a deep sub-Libor funding cost in the process. Joint lead manager Merrill Lynch said Japanese and European investors continued to have a big appetite for yen

ity in the Japanese bond market and hopes of an appreciation in the yen. More issuers are expected to tap the Euro-

9.25 101.125 Jun.2004 1.875

100.00

yen sector this week. Eurofima, the Swiss-based rolling-stock financing organisation, provided a new variation in the recent spate of call-able Eurolira bonds. It raised

1 Up to 5 years (22)

2 5-15 years (23) 3 Over 15 years (9) 4 irredeemables (6) 5 All stocks (90)

6 Up to 5 years (2) 7 Over 5 years (11) 8 All stocks (13)

Debentures and Loans

L300bn through an offering of 10-year Eurobonds callable at par after seven years. Joint lead manager Banca Nazionale del Lavoro said that in contrast to recent issues, which were mainly sold to Italian investors, 40 per cent of Eurofima's bonds were placed outside

1.85 1.78

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.2.53 Up to 5 yrs 1.69 Over 5 yrs 1.77

May 13

123.00 143.81

184.81 176.10 178.12

Indian oil group plans public issue

IFC puts \$15m into

Oil and Natural Gas Corporation, the Indian energy group, plans a public issue of equity to raise Rsl5bn (\$478m). The issue will be launched in the next two months, Reuter

reports from Bombay. Mr S. K. Manglik, ONGC's chairman, said the flotation was part of a government plan to dilute its holding in the cor poration through selling equity to the Indian public. He said the issue would be followed within four to five months by a

Euro-issue. Mr Satish Sharma, India's oil minister, said the corporation had an offer for a joint venture with the Economic Development Board of Singapore. He said discussions with the EDB were in their early stages.

7.72 8.07 8.08 8.25

7.14 8.09 8.31 8.64

3.55 3.54 2.90 3,61 3.62 3.59

7,86 8.15 8.15

Repola sets up ADR programme

By Christopher Brown-Humes in Stockholm

Repola, Finland's biggest industrial group, is setting up a sponsored American depositary receipt (ADR) programme to assist trading in its

Mr Tauno Matomäki, Repola's chief executive, said the move reflected the group's higher profile both in the US and worldwide. The ADRs, each of which

represents one share, will trade on the US over-thecounter market. Citibank NA will act as the depositary and market maker. Repola's activities range

from pulp and paper to engi-neering.

-- Low coupon yield -- -- Medium coupon yield -- -- High coupon yield --May 16 May 13 Yr. ago May 18 May 13 Yr. ago May 18 May 13 Yr. ago

7.92 8.18 8.18

5 year yield ______ 16 year yield _____ 25 year yield _____ May 18 May 13 Yr. ago May 18 May 13 Yr. ago May 18 May 13 Yr. ago

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Trance BYAN 8.000 05/98 108.5000 +0.370 6.12 6.32 5.94 OAT 8.500 04/04 90.4300 +0.470 6.86 7.11 8.76	III ITALIAN GOVT. BOND (BTP) PUTURES OPTIONS (LIFFE) Line200m 100ths of 100%
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De La Rue confirms talks with Portals

and Andrew Bolger

Shares in Portals, the security and specialist paper maker. jumped another 40p to 805p yesterday after De La Rue, the banknote printer, confirmed that the companies were in talks which might lead to an offer for Portals.

orate on the one-line statement, which came after mounting speculation about the identity of a potential bidder. Portals' shares gained 99p on Friday after the group, which also includes environmental protection and control prod-

ucts operations, disclosed that

it had received an approach.

Neither company would elab-

focused on De La Rue, one of Portals' main customers. It has a £200m cash pile and has made no secret of its intention to make acquisitions. Yesterday its shares closed

down 21p at 857p amid market concerns that it might be tempted to pay too much in order to secure the approval of Portals' board, which analysts believe might have to be up to £10 a share, valuing Portals at about £650m.

The two companies have regular discussions about commercial matters: however, the latest move by De La Rue has taken analysts by surprise. The acquisition of Portals, which controls 50 per cent of

the world market for bank note paper, would transform De La Rue into an integrated security paper maker and printer.

However, some analysts believe that there are strong commercial reasons against a merger. In particular they fear that Portals' other customers would balk at purchasing paper supplies from a rival.

Since Mr Jeremy Marshall, the ex-Hanson man, became chief executive of De La Rue in 1989 profits have quadrupled following a tough programme of disposals, closures and efficiency improvements.
Its biggest purchase to date was the £94.7m acquisition of

Inter Innovation, in 1991.

Fenner surges to £2.9m as recovery gets under way

By Andrew Bolger

The management of Fenner said yesterday that it was seeing the first signs of the promised turnround at the Hullbased industrial products

For the half year to February 28 pre-tax profits rose from £105,000 to £2.91m, including a gain of £795,000 from the sale of two operations in South

Performance had improved in all divisions and the return to positive earnings per share had allowed it to resume interim dividends via a 0.5p distribution.

The figure took account of an exceptional charge of \$2.06m (£1.4m), most of which related to the group's reorganisation of its power transmission division, which involved the closure of a plant in China.Last year Fenner was approached by a possible buyer of its power transmission business, but talks broke down in

Mr Mark Abrahams, finance

By Vanessa Houlder,

Property Correspondent

Chelsfield, the property company headed by Mr Elliott

Bernerd, has increased its

holding in the Merry Hill shop-

ping centre in the West Mid-

lands from 30 per cent to 50 per

The company, which bought

the scheme in partnership with Saudi Arabian investors, has

paid £7.1m cash and extended a

shareholder loan to increase its

The centre, which was pur-

director, said it seemed prospective buyers were unlikely to offer an acceptable price, so the group would concentrate on improving the division's performance. Power transmission incurred a small operating loss of £300,000 on sales of £33m, but was now trading

profitably. The fluid power division increased sales from £11m to £14m and new products increased its market share, particularly in the US. Operating profits rose to £1.2m (£800,000). Significant growth in both the US and UK helped the group's niche polymer businesses raise sales from £17m to £19m and operating profits from £1.8m to £2.3m. Conveyor belting's sales were flat at £13m. with a drop in orders from British Coal

seas sales in the US and Australia. Operating profits rose from £800,000 to £1m. The group said its South African businesses had again performed well in recessionary

conditions. with the political

chased for £128m last Septem-

ber, has been revalued at

£185m, reflecting increased

rental income from the project

and the uplift in the property

Situated in Dudley, it is one

of the four largest shopping

centres in the UK, comprising

some 1.4m so ft of covered

shopping mall space and

approximately 400,000 sq ft of

The centre's annual rent roll

is expected to reach £16m by

Senior lenders to the project

Chelsfield increases stake in

Merry Hill shopping centre

investment market.

retail warehousing.

the end of this year.

being offset by stronger over-

any significant effect. Earnings of 0.65p compared

with losses of 4.65p last time.

Fenner has clearly turned the corner. Polymers and fluid power are going well, particularly in the US, and conveyor belting has performed credit-ably overseas. Power transmission is being held on to unless or until someone is prepared to pay a decent price. Profits should rebound sharply, thanks to the elimination of restructuring charges and lower interest payments. The return to profitability in the UK after three years will also lower the very high tax charge. These positives are partly offset by the group's exposure to South Africa, with the allied political and foreign exchange risks. Profits are forecast to recover to about £7.5m in the current year to August, but an expected £11m the following year puts the shares on an undemanding multiple of

which originally made a £90m

10 year senior loan, have

agreed to extend additional

facilities which will replace a

£19m mezzanine loan, which

the Saudi Arabian investors.

Chelsfield also announced

yesterday the acquisition of a

50 per cent interest in St Cath-

erine's House in central Lon-

The company has bought its

50 per stake in the building

through a joint venture com

German investor, for £35m

pany, formed with a private

was formerly guaranteed by

generation move

GVA, which was set up in 1991 with financial help from British Ges, specialises in the development of private sector, gas-fired power generation projects, mainly in Malaysia

BIL reviews Quality streets find ready buyers Alison Smith on the advantages of acquiring good mortgage books Potential home buyers complaining that many

properties on the market

lenders themselves are in the

Even among centralised

None of the purchases has so

far matched in size the £1.8bn

offered by Lloyds Bank for

Cheltenham & Gloucester

However, the sums involved

can still be substantial and are

rarely insignificant. Few

lenders would look at a book

worth less than £10m, and for

the larger organisations £20m

may be the lower limit, which

makes the process of carrying

Building Society.

same position.

are poor quality and that the good ones are snapped up By Michael Skapinkar, Leisure Industries Correspondent quickly at rising prices as buyers compete, may find it com-forting to know that mortgage

Brierley Investments of New Zealand is rethinking plans to float Mount Charlotte Thistle Hotels, its UK subsidiary, after a recent upturn in business.

plans for

Charlotte

Mount

particularly in London. BIL, which acquired Mount Charlotte in 1990, has said repeatedly that its eventual aim was to float the chain. However, with trading improving after a difficult few years, some in the New Zealand group believe it might be preferable to hold on to the chain

and benefit from the upturn. looked at a book that was for While a flotation has not sale," one senior executive entirely been ruled out, BIL is also considering selling a slice said, "now, 15 might see it". of Mount Charlotte equity to a lenders, who are usually cast small group of investors. In 1991 BIL sold a 30 per cent stake in Mount Charlotte to as those seeking to leave the market, there is some interest in acquiring mortgage books. National Home Loans, for example, is looking to buy.

agencies.

Mount Charlotte made a profit of £2.1m after tax in 1992, compared with £1.5m in 1991. While the chain has, along with the rest of the UK industry, suffered a fall in occupancy and rates during the recession, its London hotels are currently thought to

be well over 90 per cent full. The botel chain, the second biggest in the UK after Forte, is expected to phase out the Mount Charlotte hotel name in favour of its Thistle brand.

The company, which operates 112 hotels in the UK, has said it wants over 60 per cent of its establishments to be marketed under the Thistle brand by the end of next year. It said it intends to turn Thistle into the UK's leading fourstar hotel chain.

Over the past two years, the company has upgraded eight Mount Charlotte properties to Thistles and will upgrade a further 10 over the next few months. The chain, which has no hotels outside the UK, is believed to be in no rush to acquire properties or management contracts in continental

It believes that London will remain one of the world's most important hotel markets. The company has 24 hotels with nearly 7,000 rooms in Landon. making it the biggest operator

British Gas in power

British Gas yesterday moved to strengthen its position in the fast-growing international power generation sector by buying a 51 per cent stake in **IIS-hased Gas Ventures Advis-**

out due diligence worthwhile. Halifax Building Society has built up mortgage book acquisitions totalling about Libn over the past three to four years. In February this year Abbey National bought the £900m UK residential mortgage book of the Canadian Imperial

Birmingham Midshires, one of the smaller building societ-The properties in question are mortgage books rather ies active in this area, made than houses, but the market conditions are not dissimilar. acquisitions amounting to almost £250m in 1993.
Such activity highlights the contrast with the books that have failed to find a buyer. For the last few years, interest among lenders in this low-profile form of acquisition

Bank of Commerce

has been increasing, and competition has become "There are a lot of poor quality loan portfolios out there," com-"A couple of years ago, it mented one lender. might be that two lenders Nothing came, for example,

of giving potential purchasers the opportunity to show interest in the £2bn mortgage book of Mortgage Express, the centralised lender owned by the TSB. Some potential buyers were deterred by the quality of the loans. TSB save now that it is committed to keeping the operation and managing down the loan book.

imilarly some of the mortgage books available from foreign banks have not proved attractive. These banks entered the UK housing market in the mid- to late-1980s, stopped lending in the recession and now want to leave an area of non-core busi-

Much more attractive have

been the the staff mortgage books of some large financial institutions. Even the Bank of England has sold its staff mortgage book to the Halifax. which has specialised in this type of purchase.

Mr Peter Walsh, finance director of Chelsea Building Society, said that in buying a mortgage book a lender was taking on business where there was a track record of payments giving more information than may be obtained from vetting a new borrower.

While it is hard to imagine what could be safer than taking on the Bank of England staff mortgage book, this lack of risk highlights only some of the advantages that a purchaser can gain from buying a book of the right quality. Mr John Fry, group services director at Abbey National,

said that buying the CIBC book was "a way of increasing our assets without putting margins under pressure". The purchase also gave Abbey an additional 17,500 mortgage customers who were "pleased to come to a house-

ity that will enable them to securitise future mortgages.

Abbey gave former CIBC borrowers a 0.25 percentage point interest rate cut, but they are stili paying about 0.5 percentage points more than Abbey costomers generally.

hold name", as well as a facil-

Mr Stuart Bernau, a senior executive at Nationwide Building Society, commented that even when different interest rates paid were harmonised there was still a benefit in acquiring such loans.

Against the background of the recent emphasis on fixedrate mortgage lending, where margins are generally narrower, the opportunity to buy a significant amount of variable rate lending is particularly attractive.

Compared with merger or the purchase of another organisation, buying a mortgage book can also offer growth without bears.

The transaction does not require, for example, the consent of a society's members, and the legal status of the process is not in doubt. It is also much less likely to lead to large scale job losses or redundancies than having to reconcile two branch networks into a single organisation.

Though lenders believe the intensified competition for mortgage books will continue for some time, despite the impact it has already had in raising prices, they know that whatever its benefits, buying mortgage books can only be a sideline compared with selling mortgages.

"It's a useful addition, but it's not going to change the way we do business," concluded Mr Dick Spelman, marketing general manager at the

Huntingdon chief executive resigns

By David Wighton

Mr Bennie Wooley is resigning as chief executive of Huntingdon International Holdings, the life sciences and engineering services group that has seen its share price fall by two thirds over the past year.

The move follows a strategic review which concluded that the group should focus on its original life sciences busi-

Mr Wooley has headed the company for 14 years during which it diversified into engineering and environmental consultancy in the US and bought consultants Travers n in the UK.

The review concluded that neither of these divisions had the earnings prospects originally envisaged.

The group yesterday announced a sharp fall in operating income from £5.8m to £2.57m for the six months to March 31. At the pre-tax level profits were slightly ahead at £989 000 (£984 000) reflecting £3m of restructuring costs in the first half of last year.

The company, which has issued two profit warnings since March last year, said income from operations had been "significantly" below

expectations but that it was continuing to generate cash surplus to operations. This was reflected in an unchanged interim dividend of 0.875p.

The US arm incurred an operating loss of £388,000, compared with a profit of £942,000 last time, while profits from Travers Morgan fell to £343,000

(£1.23m), Operating income from life sciences slipped to £3.75m (£4.37m) on turnover of £20.1m (£19.7m).

The group has appointed Kleinwort Benson, the merchant bank to help it identify strategies for the engineering businesses. Mr Christopher this would cover options other than disposal.

Mr David Anslow, currently chief operating officer international is to take over as chief executive with Mr Cliffe taking on the additional role as deputy chief executive with responsibility for strategic development.

Although profits from life sciences are expected to pick up in the second half, the company warned that the shortfall for the group as a whole was unlikely to be made up. The shares closed 3p lower at

Enterprise renews onslaught on Lasmo

By Peggy Hollinger and Robert Corzine

Enterprise Oil yesterday sought to step up the tempo of its hostile £1.5bn bid for rival explorer Lasmo by casting doubt on the credibility of the

Mr Graham Hearne, Enterprise chairman and chief executive called on Lasmo shareholders to ask whether the group would ever pay "a meaningful dividend". He quoted management statements since 1991 committing the group to at least a stable dividend when, in fact, the pay-out has fallen from 8.5p to 1.3p.

holders to question Lasmo's financial position, and sought to imply gearing could reach unacceptable levels as a result of the £800m investment programme.

Dividends shown pence per share net.

Mr Rudolf Agnew, Lasmo's chairman, rejected Mr Hearne's claims - in particular, the references to gearing. "Enterprise takes no account of Lasmo's operating cashflow over the next three years." Mr Agnew said.

Mr Hearne's letter also said Lasmo's defence document misled shareholders. He denied the company's claim that the offer's unusual equity struc ture would make second class citizens of shareholders and, in effect, force them to inject cash into the enlarged group. Enterprise is offering 27 A shares. with limited dividend rights. and 12 warrants exercisable at ud for every 20 lastno s

"The two elements of the package are separately tradeable and shareholders will not need to subscribe cash to realise the warrants' value." he

DIVIDENDS AN	INOUN	CED			
	Current payment	Date of payment	Corres - pending dividend	Total for year	Total
British Inv Tstfir	2.85	July 15	2.6	4.85	4.5
Diplomaint	4	July 1	3.5		. 12
Fennerint	0.5	Aug 5	nii	_	nii
Huntingdon Intiint	0.875	July 6	0.875	-	2.77
Whitbreed	13.8	Aug 5	13	18.8	17.7

SALES IN THE FIRST QUARTER OF 1994

Consolidated sales of the BSN Group amounted to FF 17.7 billion in the first quarter of 1994, 7.3% more than the FF 16.5 billion recorded in the same period of 1993.

Sales by division were as follows:

(in FF millions)	1994	1993
Europe		
Dairy products	5,449	5,244
Grocery products and Posts	3,274	3,302
Bisouits.	3,121	3,022
Beer	1,348	1,400
Mineral water	1,683	1,268
Containers	1,545	1,743
International	1,779	1,026
Introgroup transactions	(451)	(468)
GROUP TOTAL	17.748	16 537

The International Division Includes all Group busines Europe - in the Americas and Africa, in the Asia - Pacific region

In comparing data for 1994 and 1993, due account should be taken of the factors described below: Included in consolidated accounts for the first time :

The mineral water division now includes Volvic in France and Aguas de Lanjaron in Spain. Eliminated from consolidated accounts:

In the containers division, Verreries de Masnières has been accounted for by the equity method since the beginning of 1994. Assuming constant business organization, scope of consc and exchange rotes, changes in sales compared with the first quarter of last year are as follows:

Dairy products	+6.7%
Greeny products and Pasta	- 0.8 %
Biscuits	+3.4%
Beer	- 3.8 %
Mineral water	+7.3%
Containers	+3.2%
International	+9.3%
GROUP TOTAL	+3.9%



PETROFINA

ISSUE OF PETROFINA WARRANTS 1994-1997 PROCEDURE FOR ALLOTMENT TO THE SHAREHOLDERS

nces the issue of 1,162.611 warrants which will be aflotted free of charge setting the preference rights of the existing starcholders, against suprender or managers of the Compount spo. 10.

In allouing the venezants, the Compount intends to give its shareholders a sign of confidence, by allowing them to take part, through a new financial instrument, and beyond the rights resulting from their shareholding, to the Petrofina Group's prospects for growth.

The compon so. 10 of the Petrofina share will be separated on June 3, 1994, and will be exchangeable, by mahiples of 20, against warrants.

The Petrofina share will be listed ex-compon no. 10 from June 3, 1994.

For registered shares, the Company will record in a register large for this purpose at the Company's registered office the number of warrants, and of rights representing compos no. 10 (to number lower than 20) which each neglected shareholder will own on June 3. Registered owners will receive a certificate for those recordations.

For shares held in securities' accounts with financial institutions, the number of rights representing coupous no. 10 will appear on a separate line of asch account, and the owner will be informed thereof. From June 3, 1994 onwards, any holder of coupen no. 10 or of rights represent no. 18 may retract any financial institution entrysted with the financial ser no. 10 may request any financial institution entrusted with the financial service Company (see let on page 37 of the annual report for the 1955 business year) to on antilipies of 25 such rights against a warrant, with the characteristic descripted between The warrant will be available within the best delays, through recordation in securities' so it will also be available, as of August 1, 1994, in bearer fram.

CHARACTERISTICS OF THE WARRANTS - EXERCISE Description of the Warrants The warrants will give the circle The warrants will give the right to subscribe one Petrolina share idential to the existing abuses— with the exception of the special benefits reserved for the AFV shares—which will be recognized as giving full possession of the rights of ownership as of Jessary 1, 1997. The conditions of issue of the warrants include provisions for adjustment of the operate conditions.

Exercise period: The concise period for the warrants will extend from Tacaday, May 20, 1997 to Tacaday, Inne 3, 1997 inclusive.

In order more specifically to slow the stancholders to constitute multiples of 20 coupses as. 19, this coupses will be listed on the Branche Stock Exchange from June 3, 1994, Petrolina will also request, from June 3, 1994, the listing of the warrant on the first market of the Brussets Stock Exchange.

On the occasion of such listings, the Company will prepare a prospectus which will be published within the best delays. The said prespectus will be available at the financial institutions entrusted with the financial service of the Company.

This suscences out is addressed solely to, and intended for the sole benefit of, holders of

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At the Annual General Meeting held on May 16, 1994, the Shareholders approved a dividend payment of BEF 280 (or BEF207.9 net after deduction of withholding tax) in respect of 23,251,817 shares outstanding at December 31, 1993 (includinathe 125.000 AFV shares), coupons numbered 9 to 30 still attached.

The dividend will be payable as from May 19, 1994 against courson no 9 at:

Banque Bruxelles Lambert Générale de Banque CGER Bonque Paribas Belgique Kredielbank Bonque Nationale de Paris Crédit du Nord Banque Internationale à Luxembourg Banque Générale du Luxembourg Commerzbank Deutsche Bank Dresdner Bank ABN-AMRO Bank Crédit Suisse Société de Banque Suisse Union de Banques Suisses Credito Italiano Bardays Bank (FenchurchSt., London)

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AFUTURES PAGE

Price thought to be slightly less than £100m sought

Burford may acquire Trocadero centre

By Simon Davies

Burford Holdings, the property company which purchased the Ladbroke property portfolio for £103m earlier this year, is understood to have signed an exclusivity agreement for the potential purchase of the Trocadero, off London's Picca-

Mr Nick Leslau, Burford's chief executive, said he was unable to confirm the agreement. He added, however. For some time, we've been interested in the Trocadero at the right price and under the right.

Mr Philip Wallace, the receiver at KPMG Peat Marwick, said an exclusivity contract had been signed with an unnamed party at a value which was slightly less than the initial £100m asking price.

Life Style Care, the nursing home group which specialises

in caring for elderly mentally

infirm patients, is seeking

funds for expansion through a

June flotation expected to

value the group at between

£20m and £25m.
The company is coming to

By Peggy Hollinger

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3.5 3.5

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The Trocadero, which at the peak of the market was valued at more than £200m, helped drag former owners Brent Walker and Power Corporation towards the brink of collapse. The holding company for the

property went into receivership in January 1993, and was put up for sale last October. At a price of £100m, the 350,000 sq ft entertainment and retail centre would offer a current yield of close to 9 per

The building has considerable potential, having 100,000 sq ft of empty office space, and bringing in almost 14m shoppers per year. However, it has been affected by the tawdry image of its neighbouring

Burford has a reputation for buying lower grade properties where the management can

Life Style Care to join market

by Mr Ramesh Sachdev, the

accountant and property dealer who is now chief executive,

Mr Sachdev's family is

expected to sell only a small

part of its 85 per cent holding to raise some £2m. The two

remaining shareholders –

and his wife, Pratibha.

add significant value. Mr Lesiau said one option would be to switch the office property back into retail or entertain-

Burford paid for the Ladbroke portfolio through a share issue, which brought its gearing back down to about 35 per cent, compared with its self-imposed ceiling of 100 per cent. It would therefore be comfortable funding up to £150m in property purchases through debt.

Mr Wallace claimed there had been considerable interest in the Trocadero from prospective buyers in the US, east Asia and UK although £100m appeared unachievable. "We have spoken to 30 or 40 different interested parties", he said. It appears that Burford has

several weeks in which to tie

advantage of lower property

It has 14 homes, all of which

are freehold, with 564 beds.

Occupancy rates over the past

two years have been 96 per

In the year to June 30, Life

Style reported pre-tax profits of

£1.2m on sales of £5.3m. Pre-tax

via placing

with a conversion share issue. The trust, which invests in smaller companies, was previ-ously capitalised at just under

The bulk of the new money -£34.2m - was raised from an institutional placing, while £3.9m came from an offer for subscription. The C-share offer had been set at a maximum £60m, but difficult market conditions during the offer period meant that the target was

unlikely to be achieved. The shares will converted into new ordinary shares by August 31, or when 80 per cent of the new funds have been

shows improvement

Net asset value per share of Foreign & Colonial Eurotrust

81, compared with 210.4p at the September 30 year end and

company Merck's Pepcid, said SB.

SB's discounted price is likely to be

heavily undercut from tomorrow. Three

companies have signalled their inten-

tion to sell the generic drug, cimetidine, as soon as the patent expires. They are Novopharm, the Canadian company.

Mylan of the US, and Endo Laborato-

ries, a partnership between Du Pont,

SB has said that up to 10 generics

Novopharm has said it expects the

generic price to be 30 to 50 per cent

below that of the branded drug.

companies may eventually join the

the US chemicals giant, and Merck.

192.6p a year ago. As is always the case at the interim stage - because most European companies pay their annual dividend in the summer months - net revenue for the six months showed a deficit, but deeper this time at £642,000 (£371,000). Losses per share came out at

Enterprise Computer appoints new auditor

Enterprise Computer Holdings has appointed Stoy Hayward as auditors to replace KPMG Peat Marwick, which was asked to resign last week after a dispute

Quarto expands in California

Quarto Group, the USM-traded publishing and printing services company, is buying Front Line Art Publishing, the California-based publisher of art prints and posters, for up to

An initial payment of \$7m will be satisfied by \$5.3m cash over Tagamet.

intends to maintain tight control of remaining intellectual property rights

Novopharm and Mylan were last week the subject of law suits alleging infringement of patent and trademark laws. The cases revolved around the similar appearance of the generic versions and branded Tagamet

Novopharm quickly settled out of court to make its cimetidine tablets in a darker green than Tagamet tablets.

SB also decided last week to launch Recent cases of other big selling its own generic version of Tagamet in drugs running out of patent protection competition with the three other suppli-

suggest that an 80 per cent discount within 12 months is likely.

As well as patient discounts, SB et al. [It will sell them to hospital chains and managed healthcare organisations that look after the healthcare obliga-

tions of large employers.

It also engaged Lederle, part of American Cyanamid, to sell the generic to pharmacies. SB plans eventually to sell Tagamet without a prescription overthe-counter. The OTC version has already been launched in the UK and the company said that it remained "in active discussions" with Washington's Food and Drug Administration.

"There will be more of these measures as SB engages in this damage limitation exercise," said Mr Nigel Barnes, analyst at Hoare Govett. "SmithKline knows that it is facing a tide of generics."

TR Europe raises £38m

SmithKline Beecham is to offer \$20

(£13.60) rebates to some US patients

buying Tagamet, its once best-selling

ulcer drug which loses patent protec-

The move is the latest in a series of

measures SB has taken in the past 10

days to defend Tagamet from the

The rebate is available to patients without health insurance, notably those

on the US government run Medicare which provides health cover for the

The full price of a one-month course

of Tagamet is \$83. That compares with

\$93 for a month's supply of Zantac,

onslaught of generic competition.

tion in the US today.

elderiy.

TR European Growth has raised £38m of new capital

invested.

F&C Eurotrust

amounted to 244.2p at March

cent of Bula's enlarged share and a \$1.7m loan note. There is a further performance-related

payment of up to \$2m. For the 1998 year Front Line made profits of \$1.4m, exchuding owner remuneration, on turnover of 55m. Net assets at December 31 were \$1.6m.

Discount for US patients on SB ulcer drug

This purchase follows the acquisition in 1993 of New York-based Scafa Tornabene Art Publishing. When this company was acquired \$5m of the £9.5m raised via a rights issue was earmarked for further purchases.

Mr Mark Weinbaum, who founded the business in 1981, remains president and has agreed a three year contract.

Russian deal for **Bula Resources**

Bula Resources (Holdings) has reached agreement with The Russian Corporation to acquire its 51 per cent stake in AKI-O-TYR, a joint stock company which holds oil producing licences in western Siberia with proven and probable reserves of more than 500m. barreis.

Consideration is \$5.6m (£3.83m) and the issue of shares - representing 26 per capital - to The Russian Cor-

St Modwen makes £2.54m disposals

St Modwen Properties, through its investment subsidiaries, has disposed of three investment properties in Rugeley, Staffordshire, Plymouth and Torquay. Consideration of £2.54m shows a surplus on November 1993 book value of about £440,000.

Audax Properties falls to £273,000

Audax Properties, a wholly owned subsidiary of Value and Income Trust, reported pre-tax profits down from £365,000 to £273,000 in the year to March 31. Earnings per share on investing activities came to 3.93p (3.99p).

Newman Tonks \$6.8m acquisition

Newman Tonks Group, the building products group, has acquired Hartmann-Sanders, a

maker of architectural timber columns based in Georgia for \$6.8m (£4.65m) cash. Hartmann reported 1993 operating profits of \$900,000 on

sales of \$5.1m. Net tangible

assets were \$1.5m. Chemring in New

Zealand purchase

Chemring Group has acquired Hutchwilco, a New Zealand supplier of lifejackets, buoyancy aids and flags, from Hargrave Holdings for NZ\$4m

Hutchwileo made a pre-tax profit of NZ\$413,000 in the year to April on turnover of NZ\$6m. Net assets were NZ\$2m.

Cape buys boards business for £3.2m

Cape has bought as a going concern the Pyrok Cementations Building Boards business from the receivers of Pyrok Group for £3.2m cash. Unaudited management accounts for the nine months to December 31 indicate that Pyrok Group sold boards with a value of £1.7m and incurred a pre-tax loss of \$200,000.

Eagle Star and Gresham Trust - are also expected to retain profits for 1994, which will be forecast in the flotation promarket next month through a the bulk of their holdings. placing which is expected to The company operates in the raise about £10m. Proceeds will spectus, are expected to show a north and north-west of England and the Midlands, but significant increase, the combe used to pay down estimated pany said. Seafield terminates

Imari merger talks

Seafield, the Dublin-based transport and distribution company, yesterday announced that talks with Imari concerning a possible merger had been broken off.

The board of Seafield came under fire last month when a group of shareholders called for an extraordinary meeting to consider a change of leadership at the company. The dissident shareholders

last week wrote to other shareholders outlining their reasons for seeking to replace Mr Brian Chilver, chairman, and Mr Richard Hayes, a director. They have nominated Mr Robert Cosby for chairman.

The dissidents, who speak for 25.4 per cent of the share capital, catalogue the "dismal trading and acquisition record" under the present manage-

However, Seafield said that the company's problems had been caused by the purchase of Charterhall Properties when Mr Wilson was chairman. Charterhall was sold last October. Mr Chilver said the group

would be writing to shareholders this week. The extraordinary meeting

has been convened for June Last summer Waterglade and Mr Tony Wilson, a former International, the property executive chairman of the group, withdrew an attempt to

Newmarket sets date for liquidation

Life Style was formed in 1987 is thought to be keen to take

Proposals for winding up Newmarket Venture Capital will be put to the annual meeting in August. Holders of more than 41 per cent of the shares have indicated their intention to vote in favour.

If agreed, directors expect an initial distribution of 36p per share within two months of the decision with further distributions as the rest to the portfolio is realised. They added that most of its investments should be realised within two years.

The company has been pre-paring for liquidation over the past year. At December 31, investments made up 63 per cent of net assets against 86 per cent 12 months earl-



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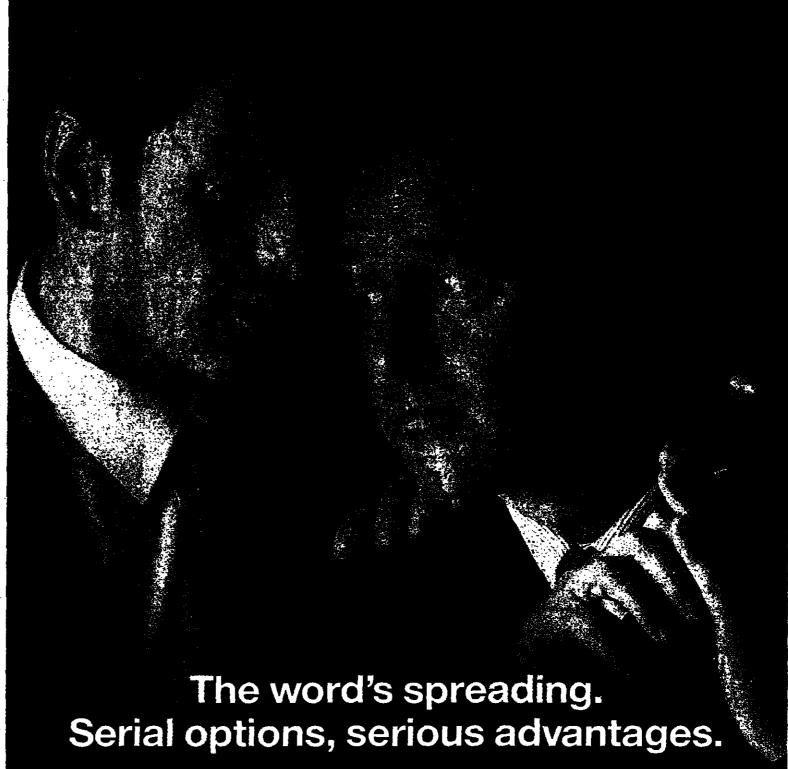


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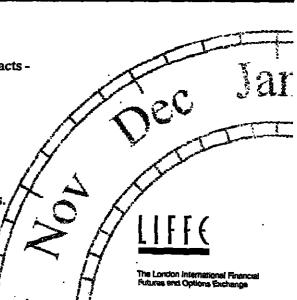
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A surge from its electronics division was behind a 42 per cent advance in interim profits at Diploma, the electronics. building components and special steels group.

Pre-tax profits for the six months to end-March were £11.5m, up from last time's £8.1m which was struck after a £1.1m provision for reorganisation of a subsidiary. Operating profits were ahead 27 per cent at £10.8m (£3.5m).

The electronics division. which accounted for 70 per cent of group turnover, increased operating profits by 36 per cent to £7.5m (£5.5m). Total turnover increased by 22 per cent, from £74m to £90.1m. Mr Christopher Thomas. chairman, said that trading conditions for most of the group's divisions were more favourable than they had been for several years. He described the increase in the personal computer market as "the significant engine of growth" for Macro and Nortronic, the elec-

subsidiaries. The semi-conductor market was now at a good stage in its cycle, he said, with further growth likely to emerge from the increasing use of electronic

tronic components distribution

gadgetry in cars. He stressed the group's commitment to providing top quality service, and said it had won market share by continuing to invest through the recession. It now employed more than 20 electronics service engineers, compared with six at the start

The building components division increased operating profits by 22 per cent, from £2.7m to £3.3m, on turnover of £23m (19m).

IG, the steel lintel maker, benefited from an increase in housing starts, recording a 20 per cent rise in both volume and profit.

Mr Thomas said he was optimistic that "goodish conditions" would continue.

The specialist steel division saw further decline in demand from the oil industry, but this was offset by general engineering demand and profits were ahead 20 per cent.

Earnings per share rose from 10.7p to 13p; the interim dividend is increased from 3.5p to

COMMENT

Good conditions in the semiconductor market helped Diploma to come in slightly shead of expectations. There are firm indications that conditions in the building components market are also improving. The common factor linking the businesses is strong cash flow, and the strategy seems to have worked well so far. However, turnover from electronics distribution is smaller than that of other groups which concentrate on the sector, so the group could face difficult questions as vendors look for fewer distributors and manufacturers seek to increase market share by squeezing smaller companies. Full-year profits are likely to be above £25m, giving a pro-spective multiple of about 18, which looks attractive.

BIT net assets show 18% increase

Net asset value per share of the British Investment Trust showed a 17.7 per cent increase over the year to March 31 1994, rising from 198p to

Ordinary shareholders' funds grew from £617m to £727m. Net revenue for the year increased to £20.4m (£14.5m),

and after minorities of £3.26m (£1.11m) and preference dividend payments totalling £77.000 (same), attributable profits came out at £17m

(£13.4m). Earnings per share emerged at 4.97p (4.48p) and a proposed final dividend of 2.85p raises the total to 4.85p (4.5p).

Getting hooked on fish and chips in Japan Paul Abrahams looks at Harry

Ramsden's global expansion plans ucked between the virtual reality games, roller hockey and super body clinic at Live UFO, a 12

day outdoor extravaganza in

Tokyo's Yoyogi Park recently,

company, to bring this tradi-

was a British fish and chips The incongruous temporary counter was the latest element in a strategy by Harry Rams-den's, the Guiseiey, West Yorkshire, quoted fish and chips

> tional British dish to Asia. The shop, serving daily more than 500 portions of haddock and chips covered in traditional salt and vinegar, was an experiment to see whether the Japanese would take to the

A similar stall in Hong Kong had led to a joint-venture there, and the opening two years ago of a highly successful restaurant.

Mr Richard Taylor, Harry Ramsden's finance director who spent much of last week in Tokyo scrubbing floors, interviewing Japanese customers and chopping fish - rather slowly according to his Yorkshire-based staff - said he was pleased by the initial

The haddock portions had to be reduced in size because demand had been higher than expected and there was a risk of running out of fish.

"The question is whether once they had tried it they

The reaction was mixed. Mr Katsumi Hidaka, a 29 year old television director, said, with studious understatement, that his portion was "not terrible". His wife said the fish was "greasy" but she might have it again. Ryu, their one year old son, spat his chips out.

Nevertheless, the product had generally gone down well, according to Ms Katie Garritt, who cooked the fish and chips over the 12 days and normally works at Harry Ramsden's Guiseley headquarters. "Sometimes one member of the family would try it, and then all the others would buy por-tions," she said.

r Taylor said demaud had been demand had been brisk enough to start looking for partners to set up a restaurant in Tokyo. The group was looking for someone who already has experience in the Japanese fast-food market, he explained.

Harry Ramsden's hopes to repeat the success of the Hong Kong branch which generates annual sales of £1.5m - the ame turnover as the outlet in Blackpool.

"We market the product as Britain's fast-food, and it's proved extremely successful," says Mr Taylor. Initially, about half of the cli-

entele in Hong Kong were

would come back again," says expairiates, but now more than 80 per cent are Chinese, Additional branches are being opened in Singapore this September and in Melbourne next

> "Following the success of Hong Kong, we've had approaches from a mumber of countries across Asia and it's easy to waste a lot of time following them up. It's a question of management resources. But Japan is our priority because of the potential size of the market," he says. Harry Ramsden's believes it

has a recipe for success in

Mr Taylor insists the product is of high quality. "We don't compromise on fish. We use the best Norwegian haddock cooked at constant temperatures in oil that is constantly changed. Finally, we have shire batter," he explains.

"We want Harry Ramsden's to become a global brand. In the short-term the greatest returns will be in the UK. But it would be a mistake to saturate the UK and then turn to the rest of the world. We'd probably come a cropper when we internationalised. We need experience now," says Mr Tay-

The company has eight branches in the UK, with four more scheduled for opening thrive. The partner is key. He,

or she, provides knowledge of local tastes, areas and, most importantly, sites," explains Mr Taylor.

49 per cent of the joint-venture, ture route, Harry Ramsden's would be following the example of Grand Metropolitan's Burger King, which has We could be greedy and teamed up with the Seibu Railkeep a higher share, but you way's group, and Subway, the have to provide sufficient incentive to make the venture US sandwich makers, which forged links with Suntory's

First Kitchen. Each Harry Ramsden's restaurant serves one dish to cater for local tastes. In Glasgow, the dish is haggis; in By adopting the joint-ven-Hong Kong, it is salad; and in Bristol, for some reason, they

> serve faggots and peas. Mr Taylor says he has not decided what would be appropriate for Japanese palates. Some less greasy fish would probably help.



with the remainder held by the local partner.

In Japan, the company is

looking for a joint-venture

partner, its preferred route for

expansion. Harry Ramsden's

keeps between 25 per cent and

NEWS IN BRIEF

ALLIED TEXTILE Companies has paid a further profit-related £1.66m for Coating Applications (Textiles) satisfied by £811,545 in cash, loan notes and

AZLAN GROUP has agreed to acquire 99.97 per cent of Research & Development, a value added distributor in the network computing market in France, for an initial FFr6m (£710,000). Further consideration is dependent on profits.

BENNETT & FOUNTAIN: Recommended cash offer from Marlowe has closed having received acceptances covering 77.3 per cent of the issued capiBETA GLOBAL Emerging Markets Investment Trust received subscriptions for 30m C shares at 100p apiece, comprising 29.52 shares under the placing and 482,135 shares under the open offer. All applications under the open offer have been met in

BRITISH BIO-technology Group has received acceptances to its rights issue in respect of 2.81m units (93.2 per cent). Each unit comprises four new ordinary shares and three CHURCH & CO is making a

115p a share offer for the outstanding preference shares in its A Jones & Sons subsidiary. The total cost will be £77,000.

CONTROL TECHNIQUES has raised its stake in its Italian subsidiary, Control Techniques SpA, from 65 to 92 per cent at a cost of £953,200. ERA GROUP: recent rights

issue accepted in respect of 23m shares (36.4 per cent of issue); issue was underwritten by Smith New Court Securi-GUINNESS PEAT has received a 97.4 per cent take-up for

its rights issue. The sale of Eagle, its Texan fund management offshoot, for \$3.4m (£2.27m) cash has been con-

LIFE SCIENCES International

has received valid elections in respect of 3.82m ordinary shares (2.2 per cent) for the scrip dividend alternative to its final dividend. That will result in the issue of 73.534 new ordinary shares to electing share-

MIDLAND ASSETS: the recent intermediaries offer of new ordinary shares was oversubscribed with valid acceptances being received in respect of 2.35m shares. Applications have been scaled down on the basis of 7 shares for every 10 applied for.

MISYS has received acceptances in respect of 5.66m ordinary shares (94.73 per cent) for

has sold its intruder alarm installation and maintenance activities for £1m cash plus a stock related amount up to £75,000. ROLLS-ROYCE Power Engi-

RELIANCE SECURITY Group

neering has lost its High Court appeal against the judgment of Ferris J, given on February 12 and based on an interpretation of its Articles of Association. Accordingly, proposals put to preference holders for repayment of the preference shares will not proceed. ROXBORO GROUP has

received acceptances in respect of 7.88m shares, or 90.5 per cent of the shares made available under the clawback ele-

SIMON ENGINEERING rights issue of 55.9m shares has been taken up in respect of 92 per cent of the offer.

TOMORROWS LEISURE has sold its four north-east based spooker clubs for £375,000 to Powerjudge, a new company formed by Mr David Prinn and others. Also three Quasar clubs are to be managed and operated with immediate effect by Claverton Corporation. WYNDEHAM PRESS Group

has received applications for 3.48m shares (91.85 per cent) under the open offer in connection with the acquisition of Westway Offset, B&P, and Unity Paper Tubes.

. These Securities have not been re United States Securities Act of 1933 and may not, as part of the distribution, be offered, sold or delivered, directly or indirectly, in the United States or to United States persons.

March 1994

¥50,000,000,000



DAIWA INTERNATIONAL FINANCE (CAYMAN) LIMITED

Step-down Exchangeable Subordinated Guaranteed Bonds

EUROPEAN

INVESTMENT BANK

MAY 2001

Pursuant to the terms and

conditions of the Bonds, notice is hereby given to the bondholders that during the twelve-month period commencing 10th May, 1993 JPY 5,250,000 European

Investment Bank's 6,75pc Bonds, due May 2001,

have been purchased.

As of 10th May, 1993, the

principal amount of such Bonds remaining in circulation was JPY 44,750,000,000

Luxembourg, 11th May 1994

EUROPEAN INVESTMENT BANK

Y 50,000,000,000 6,75 % BONDS DUE 10th

Exchangeable for share of common stock of and guaranteed on a subordinated basis by The Daiwa Bank, Limited

Salomon Brothers International Limited

FINANCIAL TIMES

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FINANCIAL TIMES

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Merrill Lynch International Limited

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Please complete the details below:

Signature .

US \$100,000,000

CAISSE AUTONOME DE

REFINANCEMENT USD 100,000,000.

T. V. 1990/1995

Bondholders are hereby informed that the rate applicable for the nineth

period of interest has been fixed at 5.1675 %.
The Coupon N° 9 will be payable at the price of USD 2 626.81 on November 15th, 1994 representing 183 days of interest covering the period

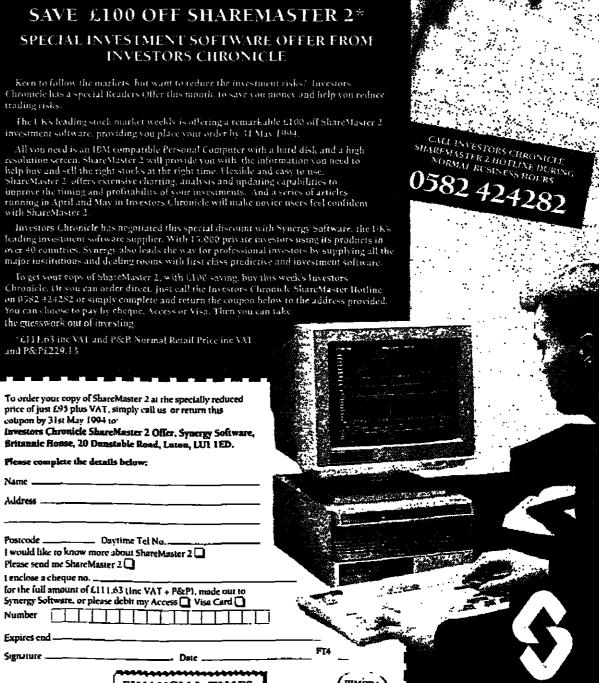
nterest, covering the period from May 16th, 1994 to

November 14th, 1994 inclusive

The Reference Agent and Principal Paying Agent

a CREDIT LYONNAIS

For the interest period February 15th, 1994 to May 18th, 1994 the coupon amounts payable May 18th, 1994 have been calculated as follows: US \$7.43



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FINANCIAL TIMES



ÖSTERREICHISCHE Range Rosting Rate Notes

per US \$1,000 note, US \$74.27 per US \$10,000 note and US \$742.71 per US \$100,000 note and US \$742.71 per US \$100,000 note cote. For the interest period May 18th, 1994 to August 16th, 1994 the rate of interest will be 6.625%. Libor was 4.875%.

Swiss Bank Corporation London

This Monday, and every Monday set yourself up for the week ahead with the Financial Times.

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So, if you want to rise above it all, get the FT this Monday.

Financial Times. Europe's Business Newspaper.

Coffee futures break through **\$2,000** barrier

By Alison Maitland

Coffee futures prices in London and New York continued their exponential rise yesterday, helped by signs there might be fresh interest from investment funds and speculative buyers.

The July robusta futures contract surged through \$2,000 a tonne to a new five-year high. It closed at \$2,052, up \$95 on the day, although profit-taking had trimmed it back from the neak of \$2.065 reached after a strong opening in New York.

The second position arabica contract in New York was up 11.1 cents at 126.8 cents a pound in afternoon trading. Bullish sentiment was fuelled by the fortnightly US report on traders' commitments, published on Friday, which showed speculators and

funds had bought less in the last two weeks than believed. "It indicated there was more potential for the funds and specs to come in," said one

"We're looking at an old-fashioned physical squeeze," said Mr Lawrence Eagles, analyst with GNI, the London broker. Roasters and traders haven't needed to hold security stocks until now and suddenly they've found there isn't enough coffee around.'

He said some 3m bags of coffee were available in New York warehouses but those holding on to the stocks were waiting for prices to go further. But he warned that the market had reached "ridiculous" levels, considering that the outcome of the 1994-95 season is still

Chinese state gold purchases still lagging

By Our Beiling Staff

China's official gold purchase continued to falter in the first quarter in spite of increased output, according to the Gold Bureau of the Ministry of Metallurgical Industry.

The bureau reported that output in the three months to March grew by 17 per cent compared with last year, but state acquisitions remained at last year's depressed levels, which were down 35 per cent on 1992.

Gold producers are obliged to sell to the state, but in the past year or so have been funnel-ling gold into the black market at prices well above the state purchase price. The state increased its acquisition price last September to Yn2,986 (US\$343) a troy ounce, about 10 per cent below the world price.

MARKET REPORT

Corrections trim base metals gains

The bull-run in base metals prices continued at the London Metal Exchange yesterday, although some necessary downward reactions were taking place, dealers said.

COPPER faltered near the \$2,200-a-tonne level for three months delivery, which has assumed psychological impor-tance, and, after peaking at a fresh 14-month high of \$2,195, settled back below \$2,180.

NICKEL trading was again hectic and volatile, with the three months price coming within a whisker of \$6,600 a tonne in the morning, before an overdue technical correction set in. From a high of \$6,590, the price plunged to \$6,350 before ending at \$6,450. up \$50 on balance.

Although the threat of disruption to Falconbridge supplies from Norway had been removed by the calling off of the dock workers' strike, the

COMMODITIES PRICES

Cash

1325-6

99,084

1320-30

1330-5

3,461 1,035

48R 5-7.5

482.5-3.5

35,344 15,090

6270-80 6285-95

59,321 21,611

5500-10

5575-80

16,635 10,455

iai high grade (\$ per tonne)

956.5-7.5

102,418 39,005

2160-2 2188-90

COPPER, grade A (5 per tonne

LIME AM Official E/\$ rate: 1.5009 LIME Closing E/\$ rate: 1.5028

HIGH GRADE COPPER (COMEX)

PRECIOUS METALS

380.00-380.40 380.20-380.60

390.65

379.30

380.80-381.20 379.20-379.60

p/troy oz. 359.45 363.90 368.35 379.25

\$ price 386-389 390.00-392.35

& LONDON BULLION MARKET

Opening Morning fix Afternoon fo Day's High

Gold Coins

E ALUMENIUM ALLOY (\$ per ton

High/low AM Official Kerb close Open Int. Total daily turnover

LEAD (\$ per tonne

Open int. Total delily tumover

Total daily turnover

TIN (5 per tonne

Total daily turnove

MICKEL (\$ per tonne)

Close Previous High/low AM Official Kerb close

Close Previous High/low AM Official Kerb close Open Int.

Kerb close Open int.

ZINC, spe

Close
Previous
High/low
AM Official
Kerb close
Open Int.
Total daily turnor

BASE METALS

nickel market was still nervous about a strike at Inco's Sudbury facilities, traders said. TIN prices broke higher in after hours "kerb" trading fol-

lowing the confirmation of bullish chart signals above \$5,600 a tonne. With the market emerging as the latest beneficiary of speculative interest, the three months price ended at \$5,725, up \$145. ZINC extended its gains on

the kerb, with the triggering of stop-loss buying orders stops running three months metal up to a new high of \$1,011 a tonne, despite the absence constructive fundamentals. Although mine output of zinc fell steeply in the first quarter of the year, according to latest International Lead and Zinc Study Group data, refined production is rising, and stocks are increasing.

Three months ALUMINIUM hit a 22-month high of \$1,360 a

Precious Metals continued

tonne, but proved unable to push up towards the \$1,373 chart objective, and closed at \$1,352, an \$8 gain.

London's precious metals continued quiet in the after-noon after the US markets opened with little direction being offered except in SIL-VER, which came under pressure and closed 7 cents down at \$5.35% a troy ounce.

The London Commodity Exchange COCOA market remained dull throughout the day. Buying in New York arrested the slide in the afternoon but trading remained technically-dominated.

The July futures position opened 24 down at £953 a tonne before sinking to £941. But the steadier-than-expected New York opening lent support and some of the losses were recouped by late afternoon. July closed at £951. Compiled from Reuter

GRAINS AND OIL SEEDS

Investment drought threatens platinum metals

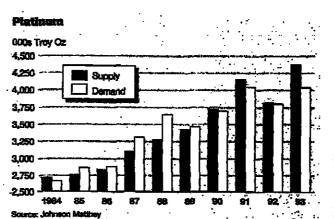
Mining Correspondent

Lack of capital for investment and even for maintenance is threatening to hit production of platinum group metals essential in many industrial catalysts - in the two biggest producing countries, South Africa and Russia. According to Johnson Matt-

hey, the biggest marketing group in the business, as far as South African producers are concerned platinum prices are not so much of a cause for concern as the collapse in the price of rhodium, mainly used in automotive anti-pollution catalysts.

Car makers became very wary about being too depen-dent of supplies of rhodium after the price of the metal umped to an unprecedented \$7,000 a troy ounce in 1990, when the market was squeezed by a combination of teething troubles at a new Rustenburg refinery in South Africa and a sharp increase in demand from the automotive industry tional anti-pollution legisla-

By making changes in their use of rhodium and running down stocks, car makers, particularly the Japanese, have been instrumental in pushing the rhodium price below \$600



In its latest annual market now on containing costs and survey, Johnson Matthey sugimproving efficiencies Continued cuts in capital gests: "We do not foresee any significant deterioration in the expenditure could eventually (rhodium) price but neither are threaten output if investment we confident that it will exceed drons below the threshold nec-\$1,000 before the end of 1994." essary to maintain the mining JM points out that operating infrastructure." the survey margins at the two biggest points out.

South African producers, There also remains the possi-Impala and Rustenburg, fell bility that the \$494m Northam from 94 per cent in 1989 to 26 mine, controlled by Gold Fields per cent in the financial year of South Africa, will be forced into closure, Johnson Matthey suggests. Not only has to June 1993, because of falling revenues and increasing costs. "All the [South African] min-Northam, the world's de ing companies have been platinum mine, been battling forced to re-evaluate their low prices but serious mining spending plans; between 1990 difficulties cut predicted output by half last year and it and 1993 several mining operations were mothballed or incurred substantial operating

Meanwhile, in Russia most platinum comes from Norilsk,

joint stock companies. Mr Michael Steel, JM's market research director, says that Norilsk's nickel production was reported to have dropped by 45 per cent last year and he believes the fall in platinum metals output was even

Norilsk's plant, built in the 1940s, has suffered years of neglect and this resulted in at least one major accident - in in October 1993 one of the furnaces in the original nickel smelter split and molten metal was spilled, causing a fire that burned for more than eight

There were also reports that there had been a separate incl-dent in which a roof at the

plant collapsed.

More evidence of the plant's decay came early this year when a strong wind destroyed an emissions stack and the debris fell on top of a pedestrian gallery through which

supply lines ran. "The funds for essential maintenance, let alone for further development of the mining and processing facilities at Norilsk, are unlikely to come from the hard-pressed Russian government. Future investment is therefore largely dependent on the success of the limited privatisation scheme currently under way,"

says Johnson Matthey. There

is little short-term prospect of substantial western investment in the plant.

Despite the clouds over the medium-term production outlook, South Africa's previous expansion programmes, mainly to cope with expected increased use by the car industry, created a substantial platinum supply surplus last year, one of 340,000 ounces compared with a surplus of 20,000 ounces

Johnson Matthey says that demand for platinum rose by 6.3 per cent to 4.04m ounces matching the record set in 1991, while supply jumped by 15 per cent to a record 4.38m

Mr Steel said that the surplus was likely to be eliminated this year because the surge in South African supplies was over.

Consequently, Johnson Matthey expects the average platinum price this year to be above \$400 a troy ounce, up from a 1993 average of \$374.06. itself 6 per cent higher than in 1992, "with a maximum of \$430 if no serious [political] unrest occurs in South Africa." Advancing demand and continned speculative activity "should give solid support at about \$380".

Platinum 1994: Free from Johnson Matthey, 78 Hatton Garden,

Nutmeg exporters in fresh effort to stabilise market

in Kingston, Jamaica

Nutmeg exporters in the two main producing countries have agreed on a plan to stabilise and then to increase world market prices for the spice, but have steered clear of recreating the cartel that collapsed six years ago.

The agreement follows discussions between the Grenada Co-operative Nutmeg Association and 35 of the leading exporters in Indonesia, according to Grenadian officials. Indonesia produces about 75 per cent of the world's nutmeg,

with the eastern Caribbean island having a 23 per cent

closed, while a number of

planned expansion projects

have been shelved. The focus is

"We must have some type of continuing dialogue with Indonesia because we feel that Grenada can compete successfully on the international market once we do not have Indonesia dumping their nutmeg on the market at very low prices,' said Mr Cliff Robertson, chairman of the Grenadian association. The recreation of the cartel, he said, would "not be in Grenada's interest".

Industry officials said that, while not setting prices, the two producer groups would

co-operate in monitoring the volume of nutmeg that was offered for sale on the world

market. They were not expected to take the more radical step of destroying stocks and the anticipated improvement in prices would be gradual, the officials added.

The new agreement has come after two years of discussions following a slump in prices. The fall has affected Grenada more as the island's economy is more heavily dependent on the spice than Indonesia's.

Producers in the two coun-

MEAT AND LIVESTOCK

S LIVE CATTLE CME (40,000lbs; cents/lbs)

Sett Day's ... Open price change High Low int

67.375 +0.225 67.700 67.000 25.851 67.075 +0.175 67.300 66.825 18.382 69.725 +0.125 69.900 69.450 12,142

71,025 +0.200 71,100 70,550 8,634 71,925 +0.176 72,000 71,825 4,857 73,150 +0.025 73,250 72,875 2,262

45.575 +0.075 46.000 44.000 207 45.725 +0.300 45.900 43.650 5,781

LONDON TRADED OPTIONS

106 78 52

277 242 209

\$14.73-4.80w

\$16.18-6.19

\$181-183 \$151-162 \$84-86 \$156-157

14.21r 262.50c

Unq.

128,48p

\$288.50 \$344.50

Unq. \$138,50

256.50m

\$595.0z \$477.5y \$371.0

Aurold V Ju

-7.00 -1.25

-0.85

+4.00 -1.13 +0.12

+6.00

-9.13°

+4.74

-3.90 +1.00 -4.00

-0.25 -0.25 -1.00

+5.0

+0.05

Strike price \$ torme

E ALUMINIUM (99.7%) LIME

MI COPPER (Grade A) LIME

COFFEE LCE

■ COCCA LCE

Heavy Fuel Cil Naphtha

Petriaum Argus Esti

Gold (per troy oziş Silver (per troy oziş Platinum (per troy oz.) Palladium (per troy oz.)

Copper (US prod.) Lead (US prod.) Tin (Kuata Lumpur)

Tin (New York) Zinc (US Prime W.)

Cattle (live weight)† Sheep (live weight)†¢

Pigs (live weight)

Lon. day sugar (raw) Lon. day sugar (wte) Tate & Lyle export

Barley (Eng. feed) Malze (US No3 Yellov

Wheat (US Dark North) Rubber (Juli¶ Rubber (Juli¶ Rubber(KL RSS No1 Juni)

Coconut Oil (Philis

Pelm Oil (Malay.)§ Copra (Phil)§ Soyabeane (US) Cotton Outlook A Index

Jet Fuel

III BRIENT CRUDE IPE JUL

LONDON SPOT MARKETS

■ OIL PRODUCTS NWEprompt delivery CF (torne)

■ CRUDE OIL FOS (per barrel/Jul)

43,750 +0,175 43,900 41,850 51,800 +0,250 51,708 49,700 50,750 +0,200 51,250 49,525

44,900 +0.525 45,000

50.825 +0.960 50.700 48.525 13,155 2,140 50.060 +0.525 50.250 48.525 8,666 1,536 48.600 +0.300 48.850 48.250 4,040 704 44.275 +0.500 44.275 43.825 2,534 212

1,827 882 375

72,486 22,214

535 46 31,901 4,794

tries would try to keep supplies to the world market at about 9,500 tonnes a year, marginally less than current world demand and 2,500 tonnes less than their current combined production, the industry sources said.

When the cartel was established the Grenadian association and Aspin, the Indonesian producers' group, agreed minimum prices for premium and lower grade nutmeg that were about four times higher than

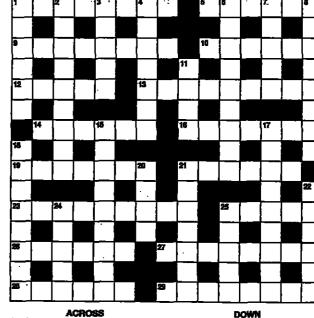
the going price of \$1,000. The cartel collapsed following changes in the Indonesian government's economic policy,

tion. Aspin was deprived of the power to set prices and control supplies to the market and. much to the dismay of the Grenadians, increased Indonesian shipments pushed prices back

to pre-cartel levels. Indonesian producers had now agreed with the Grenadians that an increase in the price of nutmeg was needed. said Mr Robertson. "We agreed that the dialogue should be ongoing and we will meet again at the end of the year to discuss the progress of the market and see how best we can stabilise prices.

CROSSWORD

No.8,455 Set by DINMUTZ



1 Going by air, the longer way into Scotland? ... (4.4)
5 ... that is the trouble with into hydros (6)

2 Offenbach's duettists of force? 4 Paint thinner one on pitch (7) 6 Steady job but a bit of a fid-dle! (5,4)

the airways (6) 9 Vein lines of Don Juan, for 10 Rank set free (6) 12 Find out how to make money after fifty (5)

sometimes index-linked (6)
16 In Noel's play, rook is next to 19 Fluter's composition is quiet and tranquil (7) 23 Seaweed in bottom corner

14 His appeal decisions are

(3-6) 25 Such relief-work amounted to nothing (5) 26 Sovereign remedy from Felix

29 Like the relaxation classes?

spirits (9) 17 Ruler <u>manufacturer</u> of Warwick (4-5) 18 Shortest of wild bets must admit chance (8)
20 Records of solid fuel (4) 21 Name one wild flower (7)
22 Scorched hill, clear at the foot 27 Associate is an outstanding (6) sort, to admit endless adver- 24 Justification for one visiting Bali resort? (5)

taken out (5)

vader! (4)

8 With fervour, eland try to break out...(9)

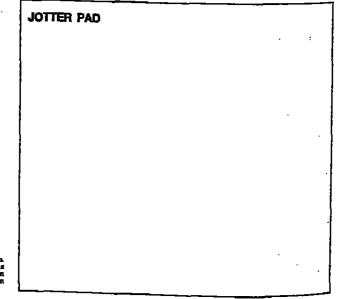
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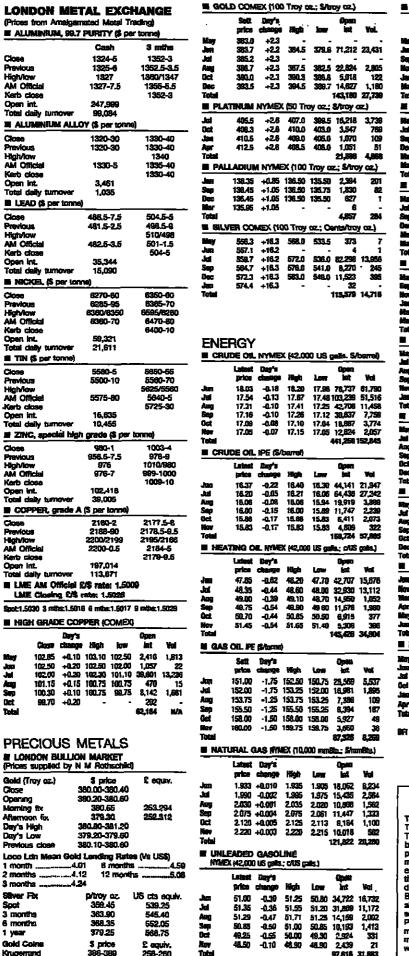
15 Fashionable apartment in

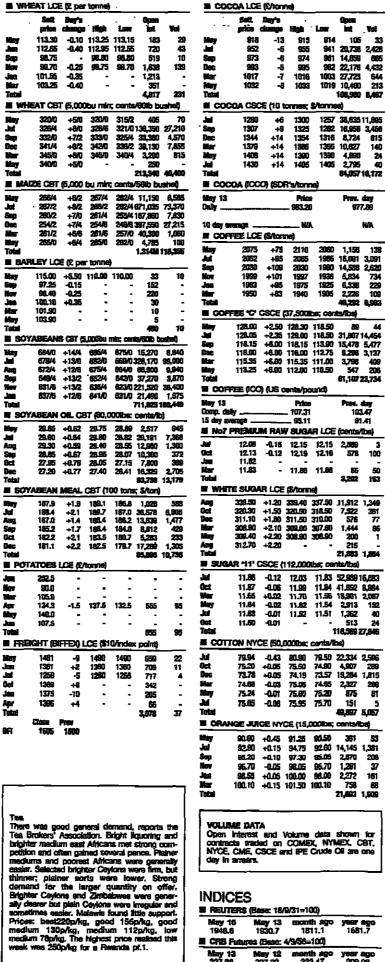
description is

25 Noisy creatu Solution to Saturday's prize puzzle on Saturday May 28.

Solution to yesterday's prize puzzle on Monday May 30.







LONDON STOCK EXCHANGE

atinum med

bilise mark

DSSWORD

Traders stand by for news on US interest rates

By Terry Byland, UK Stock Market Editor

The London stock market joined with other European bourses in holding its breath yesterday as it waited for the US Federal Reserve Open Market Committee to meet today. UK analysts appeared to be expecting, indeed hoping for, the Fed to announce a decisive increase in its key interest rates, perhaps as much as 50 basis points in both the Federal discount rate and Federal Funds rate. Such a move, while perhaps discomforting for markets in the short run, would be regarded as the best way to restore stability to global bond markets, and thus set the background for a genuine

advance in share prices. With little else but the FOMC meeting to focus on, UK equities

lacked direction as they made a start to the new trading account with a relatively lightly traded session. An attempt to move forward was thwarted when UK government bonds proved unable to develop a lasting trend, and the FT-SE 100 Index moved in a narrow range around its previous close.

The final reading showed the FT-SE 100 at 3,115.6 for a net loss of 3.6. Earlier, the index had been 14.4 ahead, helped by the latest domestic producer price data, which was in line with expectations and regarded as neutral on inflation pressures.

Other hurdles on the domestic economy lie ahead this week, notably tomorrow, when the market faces the latest retail price index, and data on unemployment, average earnings and public sector borrowing. The concensus is for a

Accoun	rt Dealing	Dates
*Piret Dealings: Acr 25	May 18	jun 8
Option Declarations: May 12	Jun 2	Jun 18
Last Dealings: May 13	Jun 3	Jun 17
Account Day: May 23	Jun 13	Jun 27
"New time dealing	may 2040	place from two

monthly rise of 1.3 per cent in the retail price index.

But these are overshadowed by the meeting of the Federal Reserve's Open Market Committee today, which was reflected by firmness in the US currency towards the close of trading in London yesterday. Statistics on US industrial output and capacity utilisation appeared to leave unchanged the likelihood of a tightening in US credit policy. The UK market slightly underperformed other European markets, reinforcing perceptions that the UK is seen as closer to the US in terms

of the economic cycle, and therefore more likely to see domestic interest rates rise while France and Germany look for further reductions. Trading volume, as recorded by the Seaq electronic trading system.

Friday's level, at 548.4m shares. Friday afternoon saw increased activity when securities houses unwound positions as the trading account came to its end; 671.7m shares were traded in that session

was about 18 per cent down from

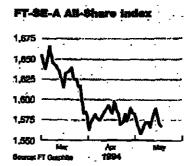
for a retail worth of £1.43hn. Second line issues played a subdued role, and the FT-SE Mid 250 Index fell 14.9 to 3,706.9 yesterday. The FT-SE 100 stocks found some

futures market, a factor of no effect on the second-liners.

Market analysts were taking a cautious view at the beginning of a week in which so much will depend on developments across the Atlantic. Although nervous regarding US rate policy, most UK analysts believe that Mr Kenneth Clarke, the British chancellor of the exchequer, will be unwilling to raise domestic interest rates in the near term in what Kleinwort Benson describes as "an environment of economic

Nikko commented that UK consumers do not appear to have reacted sharply to the tax increases introduced this month, although it adds that consumer related companies are "still finding things diffi-

slowdown".



Equity Shares Traded Turnover by volume (million). Excluding: high-market business and oversess turnove

والمتعارض والمتع

- vea wordsam	135	
ndices and ratio	8	
T-SE 100	3115,6	-3.6
T-SE Mid 250	3706.9	-14.9
T-SE-A 350	1577,2	-28
T-SE-A All-Share	1568,74	-2.89
T-SE-A All-Share yiel	d 3,70	(3.70)
est performing	sectors	

+1.0 Retailers. Food Health Care ... +0.6

FT-SE-A Non Fins p/e 20.26 (20,30) FT-SE100Fut Jun -12.03106.0 10 vr Çlit yleld Long gilt/squity yid ratio:

Worst performing sectors 1 Gas Distribution ... Breweries ... Oil, Integrated Engineering, Vehicles Printing, Paper & Pckg

Market

The stock market was alarmed yesterday at a story in the weekend press that British Gas may be forced into cutting its dividend by the end of the year, because of the impact of regulatory pressures on its profits. Gas is scheduled to report first-quarter results on

The shares were by far the

100 Index, falling 91/2 to 2841/2p ex-dividend, and were the most heavily traded with more than inging hands.

Gas shares have moved erratically in recent weeks. plunging to 280p on April 28 following a profits warning, and racing up to more than 300p last week as the market gave a positive reaction to the Department of Trade/Ofgas report on competition and pricing in UK domestic gas supply.

Many analysis were sceptical

of the dividend threat story. idend cut seems most unlikely this year," said one. Another said that Gas will pay maintained dividends in the near term, although its ability to do so post-1996 depends on prog-ress on cost-cutting. "There is a long term risk to Gas's dividend but not so in the short

De La Rue steps in

Market speculation turned to fact as De La Rue confirmed that it was the mystery predator which had approached paper manufacturer Portals, the announcement speeding the two companies' shares in opposite directions. Portals continued its moward

momentum, first seen a week

ago, with the shares ending another busy session 40 ahead at 806p, making a net gain of 28 per cent over the past week. In contrast, De La Rue dropped 21 to 857p on fears that the bank note printer may have to pay too high a premium to secure Portals, and worries over how it would be financed. A mixture of cash - the company has around £250m - and paper was thought the most likely ave-

With Portals baving a solid reputation in the City as a well run profitable company, many analysts felt that the premium that an agreed merger would require would be too high a price to pay, while a hostile bid

TRADING VOLUME

Vol. Closing Day's 000s price change

■ Malor Stocks Yesterday

on 1995 earnings forecasts, a hefty 70 per cent premium to the market. Others also questioned De La Rue's timing, with the paper and printing market well off the bottom of a Full-year figures from brew-ing and retailing group Whit-

was deemed a non-starter. A bid price of £9 a share was

being mooted late yesterday, a

figure which would put Portals

on a price/earnings ratio of 21

bread met market forecasts, although the shares ran into profit-takers and slid 9 to 563p. Drinks specialists blamed the fall, as well as weakness in some of the other stocks yesterday, on the good run in the sector recently, as well as on the lack of scintillating news needed to maintain the momentum. Bass, which reports tomorrow, was one such casualty, retreating 17 to

550p. Greenalls suffered a similar fate, losing 9 at 440p. Speculation continued to surroung the Guinness share price with suggestions that LVMH. its French partner, may use the options market to offload some of its Guinness shares ahead of the agm on Thursday. The French group has agreed to reduce its holding in Guinness from 24 to 20 per cent by June next year. Guinness

market took its toll of the banks sector, where most of the business involved heavy switching from National Westminster into Barclays. The latter ended a net 3 off at 537p on helty turnover of 4.5m. while

LIFFE EQUITY OPTIONS

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Jot Oct Jan Jul Oct Jan Option

shares slid 6 to 490p.

NEW HIGHS AND LOWS FOR 1994

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PROPERTY BY NEIGHBERAL FOOD BY BRIDGE
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RECTAILERS, GENERAL BY SUPPORT SERVICE

(2) Remold, Wrughly, TEXTILES & APPA Sheril, TRANSPORT (2) Air London, Sure Uolta, AMSPICANS (8) CANADIANS (2). the former fell 14 to 449p on 3.9m traded. The switching operation was said to have triggered additional straight selling of NatWest

Abbey National was recommended by one of the hig integrated houses and initially edged up to 407p before slip-

June War Feb And Nov Feb

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200 16% 20% 33 17 24% 25% 200 16% 26 27 8 13% 14% 240 6% 15% 17 19% 25 25% 500 47% 63 76 17% 26% 33% 550 22 37 46 45% 52% 60 354 23 31% - 12% 19 -364 6% 17 - 30 36% -Jul Oct Jun Jul Oct Jun

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d 390 19% 32 38% 7 18 22% 420 5% 19 24% 24% 35 38% 30 4 5% 7 1% 3 4 35 1% 4 5 4 5% 2 500 42 55 86% 4% 18 25 550 11% 27 38% 25 35% 49

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(*153) 154 12 17% - 13 16 - Lucas Inds 180 21 26 29 6 12½ 14% (*152) 200 8% 15 18% 16 23% 25%

ping back to close marginally easier at 402p.

General Accident was the outstanding performer in composite insurances, the shares adding 9 at 568p. A switching operation out of Prudential, 2 off at 305p, and into Legal & General left the latter 5 stronger at 455p. National Power was the star

performer in the utilities sector, responding to recor dations both new and in the recent past from various broking firms. SG Warburg Securities issued a strong buy note on National Power and Power-Gen late last week while Lehman Brothers, the US brokerage house, and James Capel, the leading UK agency broker, were said to have given the stock a big push yesterday. At the close National Power shares were 15 higher at 443p after good turnover of 2.6m. PowerGen added 10 at 475p.

The Scottish generators, on the other hand, were hit by profit-taking, Scottish Power losing 10 to 368p. Channel tunnel operator

Eurotunnel remained under a cloud in spite of a company denial that it faced a deadline at midnight yesterday to secure further bank loans from Japanese bank creditors.

The shares relinquished 12 to 420p, on these financial concerns with sentiment further weakened by reports that the well-flagged rights issue would be announced today. However, several analysts discounted such a likelihood today.

The company yesterday

announced that the first fare-

paying freight service through the tunnel will begin on Thursday, and forecast it will have 50 per cent of cross channel car

and coach service by 1996. News of the start of operations at Eurotunnel and optimism on traffic levels damaged sentiment in P&O, the ferry operator. The shares gave

up 10 to 690p, in trade of 1.9m. Shares in Rolls-Royce jumped 6 to 188p, in hefty trading of 7.7m shares, with US investment bank Lehman Brothers said to have been among the day's big buyers.

Profit-taking left British Aerospace 10 lighter at 493p. The company said the total of overseas owners of its shares had exceeded 29.5 per cent, the permitted limit under its articles of association. Foreign owners that last acquired the stock will now be forced to sell the shares to reduce the total to the permitted figure.

Buoyant metal prices continued to boost international mining group RTZ and the shares gained another 7 to 865p. Press speculation on the

National Lottery helped Rank Organisation, which is in a consortium believed to be one of the front runners. The shares added 5 at 408p. NatWest Securities reiter-

ated its positive stance on Boots, up 5 at 549p, and Store-house, ahead 2 at 219p. **MARKET REPORTERS:**

Steve Thompson, Christopher Price, Joel Kibazo.

rejects Gas tale

worst performer in the FT-SE

Early gains in stock index

futures were reversed in

technical trading as dealers

today's US Federal Reserve

3727.0 3715.0

"Gas declined to discuss the dividend when it made its profits warning in April, and a div-

EQUITY FUTURES AND OPTIONS TRADING Open Market Committee

meeting, writes Joel Kibazo. A firm start to trading, after the June contract on the FT-SE 100 opened at 3,126,

Day's Year Div. Earn. May 16 chge% May 13 May 12 May 11 ago yield% yield%

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IN FT-SE 100 INDEX FUTURES (LIFFE) \$25 per full index point Open Sett price Change High Low Est, vol Open int
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 \$ FT-SE 1410 250 INDEX FUTURES (LIFFE) 210 per full index point -15.0 3727.0 3715.0

IN FT-SE MID 250 INDEX FUTURIES (CMLX) £10 per tull index point - 3718.0

III FT-SE 100 INDEX OPTION (LIFFE) ('3113) 210 per full index point EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) 210 per full index point . 2825 2976 3025 2075 3125 3175 3226 3275 183¹/₂ 1 134¹/₂ 1¹/₂ 251²/₂ 3 42¹/₂ 12 14 32¹/₂ 3 70¹/₂ 1 119 1/₂ 169 161 11 146¹/₂ 181¹/₂ 201¹/₂ 201¹/₂ 21 135¹/₂ 48 78 90 89¹/₂ 131¹/₂ 18 178¹/₂ 241¹/₂ 48 172 77 115 1171/₂ 77 172 200¹/₂ 79 214 109¹/₂ 156¹/₂ 150¹/₂ 112 201¹/₂

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FT - SE Actuaries Share Indices

FT-SE 100 FT-SE Mid 250 FT-SE Mid 250 ex Inv Trusts

FT-SE-A 360 FT-SE SmallCap FT-SE SmallCap ex inv Trusts FT-SE-A ALL-SHARE

10 MINERAL EXTRACTION(18) 12 Estractive industries(4)

15 Oil, Integrated(3) 16 Oil Exploration & Prod(11)

20 GEN MANUFACTURERS(2) 21 Building & Construction(31)

22 Building Matia & Marcha(30) 23. Chemicala(21)

23 Chemicals(21) 24 Diversified Industrials(16) 25 Bectronic & Elect Equip(34)

30 CONSUMER GOODS(85)

31 Brevenies(17)
32 Spirits, Wines & Ciclens(10)
33 Food Manufecturers(23)
34 Household Goods(13)
38 Heelth Care(20)

37 Phermeceuticals(11) 38 Tebecco(1)

40 SERVICES(220)
41 Distributors(31)
42 Leleure & Hotels(23)
43 Medis(39)
44 Retailers, Food(17)
45 Retailers, General(44)
48 Support Services(40)
49 Transport(16)
51 Other Services & Busine

60 UYLTHES(36) 62 Electricity(17)

84 Gas Distribution 86 Telecommunicati 68 Water(13)

69 NON-FENANCIALS(631)

70 FINANCIALS(103)

71 Banks(10) 73 Insurance(18) 74 Life Assurance(5) 75 Merchant Banks(5)

_79_Property(39)

26 Engineering(71) 27 Engineering, Vehicles(12) 28 Printing, Paper & Pckg(27) 29 Tectiles & Apparel(20)

FT-SE Actuaries All-Share

encouraged further buying led by independent traders. The 9.30am release of UK producer output prices data showed the figures to be in line with expectations, and a further bout of buying shortly after the figures' release sent the contract to the day's peak of

3,141. Technical trading, as dealers focused on today's FOMC meeting that is expected to result in an increase in US interest rates, reversed earlier gains, leaving the contract to drift lower and to ignore a firm start to trading in New York

in the afternoon. June fell to a low of 3,104 before steadying to close at 3,106, a 7-point discount to the underlying cash market. However, dealers reported an improvement in June in after-hours' trading. Volume

was 13,570 contracts. An active session in the traded options brought turnover of 31,767 lots. The FT-SE 100 option traded 11,280 lots, aithough the Euro FT-SE option had a poor day with a mere 1,040 dealt. British Gas was the busiest stock contracts transacted.

3.90 3.32 3.45 3.77 2.89 3.04 3.70

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7.89 <u>\$.4</u>8 <u>\$20.15</u>

16.10 High/day Loss/day

ASIA Group†
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 May 16 Total contracts: 31,562 Cells: 17,666 Pulse: 13,564

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LONDON EQUITIES

RISES AND FALLS YESTERDAY 181 317 595 685

TRADITIONAL OPTIONS May 3 Last Declaration May 20 For settlement Calls: Auto Sec Pri, Amires, BT p/pd, Blackwood Hodge Pri, Cupid, Enterprise Comp., Jacobe (JB, Mid-States, NHL Pri, Signet Pri, Tullow Oll. Puts: Amires.

LONDON RECENT ISSUES: EQUITIES

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Additions information on the FT-SE Actuaries Share indices is published in Security issues. Lists of consistents are available from The Financial Times Linked, One Southwark Bridge, London SE1 9FL. The FT-SE Actuaries Grare tradices Service, which covers a range of electronic and paper-based products, letting to these bodiess, as assistable from FINSTAT at the service address. The FT-SE Mid 250, FT-SE Actuaries and an International Service Industry relating to the product of the FT-SE Actuaries and Times Indicated the FT-SE Actuaries and the FT-SE Actuaries and Times Indicated the FT-SE Actuaries and the FT-SE Actuaries and Times Indicated the FT-SE Actuaries and FT-SE Actuaries and Environ Stock Exchange and The Financial Times Linked. The FT-SE Actuaries Share FT-SE and "Footable" are just trade matter and environ matter and environ stock Exchange and The Financial Times Linked. The FT-SE Actuaries Share FT-SE and "Footable" are just trade matter and environ the Landon Stock Exchange and The Financial Times Linked. The FT-SE Actuaries Share FT-SE and "Footable" are just trade matter and environ the Indicate and exclusion greater than 80 are not shown. 2 Values are inagented.

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FT MANAGED FUNDS SERVICE FT Cityline Unit Trust Prices are available over the telephone. Cell the FT Cityline Help Desk on (071) 873 4378 for more details.

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MARKETS REPORT

Market waits on Fed

Jan

Mr Mark Austin, treasury

strategist at Midland Global

Markets notes that with this

backdrop, "there would proba-bly be little surprise if the Fed

continued its gradualist approach and raised the funds

target by only 25 basis points

In a note to customers yes-

terday, JP Morgan, the US

investment bank, pointed out

that there were also political

and tactical reasons to follow this course. "An aggressive

rate hike on the heels of a

report suggesting stable to

slightly declining consumer

price inflation will surely draw attacks from Fed critics in

Congress," the report notes. Whatever the Fed chooses to

do, it is not yet clear that the

worst is over for the dollar.

Although the spectre of inter-

lative capital committed to

markets following the collapse

in bonds earlier this year has

reduced one area of support for

the dollar, and the longer term

capital and current account

■ The support for sterling is

related to the death last week

of Mr John Smith, the UK

flows are still negative."

to 4 per cent."

May 15

The dollar traded steadily yesterday ahead of the impor-tant meeting today of the Fed-eral Open Markets Committee which is expected to announce a further tightening of US monetary policy, urites Philip Gowith.

An aggressive tightening, of 50 basis points in the discount and federal funds rates, plus a statement that neutrality has been reached, is expected to support the dollar. Anything less, and there is a danger that the US currency will weaken

again.
The dollar finished in London at DM1.674 against the D-Mark from DM1.6671, and Y104.580 against the yen from Y104.755.

Trading was generally very quiet with most of the market preferring to direct its focus towards today's events.

Elsewhere, the Greek drachma was the focus of attention as the Bank of Greece lifted interest rates to protect the currency from speculative pressures.
The Bank of England's exchange rate index finished at

80.5 from 80.1 last Friday.

US economic data released were in line with expectations and had little impact on the currency. April industrial production rose by 0.3 per cent, as expected, while capacity utilisation was 83.6 per cent,

unchanged from March.

Analysts are fairly evenly divided about whether the Fed will raise the federal funds rate, currently 3.7 per cent, by 25 or 50 basis points. The three tightenings so far this year, commencing on February 4, were all by 25 basis points.

Many analysts contend that recent weakness in both currency and bond markets, which have fed off each other, results from this gradual tightening process. This, it is argued, unsettles markets because the continual spectre of a further monetary tightening acts as a disincentive for new investors to enter the mar-

But the argument for a short, sharp shock, convincing the market that policy neutrality had been achieved, lost some of its force with the release of good inflation data. stability in the short term.

EXCHANGE CROSS RATES

May 16

CROSS RATES AND DERIVATIVES

BFr DKr

Drachma This change in the political landscape has been supple-Against the DM (Drachma per DM): mented by the view that, compared to Germany, interest rate differentials appear increasingly to be moving in the UK's favour.

Sterling finished in London at DM2.5174, more than 11/2 pfennigs above Friday's close of DM2.5012. It was also higher against the US dollar, closing at \$1.5039 from \$1.5004.

■ In Europe, attention focused on Greece where banks lifted interest rates sharply to protect the drachma. The National Bank of Greece - the largest state bank, - raised short term deposit rates to 35-45 per cent, from 23 per cent last Friday. Other short-term rates were

The currency came under speculative attack last week when the announcement that the country was lifting remaining capital controls on July 1 prompted a sell-off of the currency, in anticipation of a likely devaluation as capital left the country.

■ The Bank of England provided the UK money markets vention remains, Mr Austin notes: "The reduction in specuwith £615m assistance after forecasting a £600m shortage. The overnight rate moved in the 3 to 5 per cent range.

Labour Party leader. By draw-	S OTHER CURPENCIES						
ing attention away from the troubles of the Conservative party and the prime minister, his death is seen as having contributed to greater political stability in the short term.	Mey 18 Hungary Iran Auseit Poland Russia U.A.E.	0.4479 - 0.4496 33858.8 - 33949.8 2819.81 - 2830.34	1748.00 - 1750.00 0.2979 - 0.2988 22520.0 - 22570.0				

May 18		Classing mid-point	Change on day	Eld/offer spread	Day's Mid high low	One mo	nth %PA	Three mo	%PA	One yo		Bank of Eng. Index
Енгоре												
Augtria	(Sch)	17.7041	+0.1162	962 - 120	17,7130 17,6129	17,5841	0.3	17.5785	0.2	-	-	113.7
Belgium	(BFr)	51,8227	+0.3307	805 - 648	51,8650 51,4800	51,487	0.1	51.492	0.0	51,327	0.3	114.9
Denmark	(DKr)	9.8514	+0.0708	449 - 578	9.8578 8.7933	9.7884	-0.9	9.7966	-0.6	9.814	-0.3	114,9
Finland	(FM)	8.2013		918 - 107	8.2120 8.1130	•	-	-	-	-	-	ã.18
France	(171 1)	8.6315	+0.0539	274 - 356	8,8363 8.5886	8,5833	-0.8	9.586 3	-0.4	B.5526	0.3	107.5
Germany	(DM)	2.5174	+0.0162	164 - 163	2,5238 2,5042	2.502	-0,4	2.5013	0,0	2.4822	0.8	123.2
Greece	Đή	373.030	+2.143	417 - 643	373,750 388,277	-	-	-	-	-	-	٠ _
Iretand	(12)	1.0270	+0.0025	261 - 279	1.0284 1.0242	1,0248	-0.5	1.0257	-0.5	1.0279	-0.3	104.1
italy	a)	2420.06	+25.57	853 - 156	2421,72 2397.04	2400.19	-29	2409.89	-26	2440,54	-1,9	78.1
Lecombourg	(LĒri)	51,8227	+0.3307	805 - 648	51,8660 51,4800	51 <i>.4</i> 87	0.1	51,492	0.0	51.327	6.3	114.9
Netherlands	i Pri	2.8263	+0.019	251 - 274	2.8290 2.8093	2.8009	0.2	2.8066	0.1	2,7837	0.8	118.6
Norway	(NIC)	10.9085	+0.0732	044 - 125	10,9130 10,8051	10.8295	0.6	10.8422	-0.3	10.8333	0.0	85.1
Portugel	(Es)	259.585	+1.354	429 - 700	259,716 257,863	258,188	-4.5	261,131	-4.5		-	
Spain.	(Pta)		+1.613	480 - 533	208.640 207.455	207.244	-30	208,074	-2.6	210.864	-2.0	84.2
Sweden	(SIK)			002 - 170	11.7175 11.5706	11.8318	-22	11.6623	-1.8	11.7513	-1.2	78.6
Switzerland	SEn			440 - 465	2,1475 2,1382	2.135	1.0	2.1304	1.2	2,0089	1.5	117.2
UK	` (Z)		-				-	_			-	80.5
Scu .	-	1.3054	+0.0079	048 - D61	1.3082 1.2969	1,2984	-0.8	1,2000	-0.4	1.2953	0.2	
SDRt	_	0.939746	-	-		-						_
Arperices												; -
Argentine	(Pesc)	1.5006	+0.0018	002 - 010	1.5011 1.4932	-	-	-	-	_	_	` _
Bruzii	(Cri			572 - 684	2347.00 2296.00	-	-		-	-		_
Cenada	(CS)			678 - 695	2,0700 2,0566	2.0645	24	2.0743	-1.1	2.0981	-1.5	87.4
	v Pesa)			916 - 090	5,0090 4,9840	-						
USA	(5)	1,5039	+0.0035	035 - 042	1.5050 1.4963	1.503	0.7	1.5023	0.4	1,5042	0.0	85.7
Pacific/Mickle		Africa										
Australia	(AS)	2.0724	-0.0064	712 - 736	2,0760 2,0862	20717	0.4	2,0701	0.4	2.0662	0.2	_
Hong Kong	(HiKS)	11,6195	+0.0274	160 - 230	11.6248 11.5819	11.6114	0.8	11.6076	0.4	11.6344	-0.1	_
India	(Pas)	47.1758	+0.1117	610 - 905	47.1970 46.9430	-	-		-	-	-	-
Japan	ĊΫ́	157,273		191 - 354	158.150 158.580	166,855	3.2	156,098	3.0	152,273	3.2	185.3
Malaysia	(MS)	3.8273		256 - 290	3.9295 3.9031	-	-	-	-	-	-	-
New Zealand	(NZ\$)			635 - 669	25673 25569	2.5645	0.3	2.586	-0.4	2.5748	-0.4	-
Philippines	(Pesc)	40.7920		945 - 895	40.9904 40.5000	-	-	-	-	-	-	_
Seudi Arabia	(SFI)	5.6395		374 - 415	5.6432 5.6117	-	-	-	-	-	-	-
Singapore	(22)	2.3320		307 - 333	2.3335 2.3165	-	-	-	-	-	-	-
S Africa (Corr.				086 - 114	5.5124 5.4555	-	-	-	-	-	-	-
R Africa (Sin)	FB	7 9344	TU 00034	220 - SES	74816 74196	_	_	_	-	_	_	

(Nor) 1212.33 +0.0921 220 - 985 7.4610 7.3185 (Nor) 1212.33 +2.97 197 - 285 1212.73 1206.42 (TS) 40.3107 +0.0883 938 - 278 40.3307 40.100 (B9) 37.9347 +0.0583 183 - 510 37.9560 37.7820

The central bank's measures	DOLLAF	SPO	T FOR	WARD.	AGAINS	THE	DOLLA	æ						
appeared to have achieved	May 18	-	Closing	Change	Bid/offer	Day's		Опетр		Three m		One y		LP Morgan
some success with traders			mid-point	OU OEA	spread	Ngh	low	Rate	%PA	Rate	%PA	Plette	%PA	index
reporting quite conditions and	Ешторе													
little pressure on the currency.	Austria	(Sch)	11.7725		700 - 75 0			11.7805			-0.3		0.8	108.1
Yesterday afternoon the	Belglum	(BFr)	34.4600		400 - 800		34,3880	34,485		34.5	-0.5	34.355	0.3	104.5
drachma was being quoted at	Denmark	(DKI)	6.5508		480 - 535		6.5390			6.5883	-1.3	6.5598	-0.1	103.8
148.10/20 after being fixed at	Finland	(FM)	5.4535		485 - 585		5.4330	5.455		5.4555	-0.1	5.481	-0.1	76.5
	France	(FTr)	5.7398		382 - 410		5.7330	5.7463			-0.8	5.7274	0.2	104.0
Dr148, compared to the previ-	Germany Greece	(0)	1.6740 248.050		737 - 742 700 - 400		1.6710 245.600	1.6755			-0.4	1.6617	0.7	104.8
ous fix of Dr147.70.	kelend	(Dr) 883	1,4644		634 - 653		1.4571	1.4829	-18.1 1.2	259.175 1.461	-17.2	288.05 1.4588	0.4	89.7
Elsewhere the D-Mark's per-	italy	17	1609.24		880 - 98 5		1600.16			1821.14	-30	1640.24		79.0
formance was mixed. It was	Luxembourg	ᄯ	34.4600		400 - 800		34.3660	34.485		34.5	-0.5	34.355	0.3	104.5
unchanged at FFr3.429 against	Netherlands	Œ,	1.8794		790 - 797		1.8785	1.8806		1.6809	-0.3	1.8858	0.3	104.0
	Norway	(NEC)	7.2537		527 - 547		7.2439	7.2577		7.2572	-0.2	7.2337	0.3	95.2
the French franc, but stronger,	Portugel	(Es)	172,600		650 - 650		172,200			175.225	-6.1	179.4	-3.9	93.0
at L961.5 from L957.2, against	Spain	(Pta)	138.675		650 - 700		138,230	139.1		139.71	-3.0	141.45	-2.0	79.6
the Italian Hra.	Sweden	(SIG)	7.7858		820 - 895	7.7950		7.8038		7,8268	-2.1	7,8908	-1.3	82.4
— 	Switzerland	(SFr)	1.4265		260 - 270	1,4308		1,4262		1,4237	0.8	1.403	1.6	103.4
■ The Bank of England pro-	UK	ે છ	1.5039	+0.0035	035 - 042	1.5050	1.4963	1.503	0.7	1,5023	0.4	1,5042	0.0	88.7
	Ecu	-	1.1521	-0.0043	517 - 625	1.1551	1.1487	1.1507	1,5	1,1497	0.8	1,1537	-0.1	-
vided the UK money markets	SORT	-	1,40680	-	-	-	-		-	-	-	-	-	-
with £615m assistance after	Americas													
forecasting a £600m shortage.	Argentina	(Peso)	0.9979		978 - 979		0.9978	•	-	-	-	-	-	-
The overnight rate moved in	Brazil	(Cr)	1560.18		017 - 019	1560.20		-	-	-	-	-	-	-
	Canada	(CS)	1.3758		753 - 758		1.3728	1,3737	1.7	1,3807	-1.5	1.3941	-1.3	83.7
the 3 to 5 per cent range.		r Peso)	3.8250	-0.005	200 - 300	3.3300	3.3200	3.326	-0.4	3.3278	-0.3	3.3352	-0.3	-
In Germany call money	USA	_ (5)		•	-	•	-	-	-	-	-	-	-	100.5
eased to 5.40/50 per cent, from	Pacific/Middle													
5.45/55 per cent on Friday.	Australia Hann Konn	(AS)	1.3781		776 - 785		1.3774	1.3794	•••	1,384	-1.7	1.3947		88.2
ahead of this week's repo. The	Hong Kong	(HKS)	7.7265 31.3700		260 - 270		7.7260	7.7295	-0.5	7.7355	-0.5	7.7602	-0.4	-
	india Japan	(A) (Set)	104,580		675 - 725 650 - 610		31,3850	31.435 104.365	-25 25	31.57 103.905	-2.6 2.6	101.27	32	145.7
futures markets were "listless"	Malavaia	(T) (M\$)	2.6115		110 - 120		2.8075	2,6045	2.5 3.2	2,589	34	2.6515	-1.5	140.7
in the words of one participant.	New Zaeland	(NZS)	1.7058		050 - 085		1.7050	1.7071	-0.9	1,7116	-1.3	1.7335	-1.5	_
	Philippines	(Peso)	27.1250		000 - 500	27.2500		1.707	~~	1.7 7 10	-12	1.7333	-1.5	Ξ
A OTHER CURPENCIES	Seudi Arabia	(SP)	3.7500		495 - 505			3.7507	-02	3.753	-0.3	3.7645	-0.4	Ξ
II- 12 0	Streamore	(SS)	1.5507		502 - 512		1.5490	1.5501	0.5	1.5496	0.3	1.5482	92	Ξ
May 16 £ S	S Africa (Cont.)		3.6633		625 - 640		3.6520	3,6798	-54	3.7058	-4.6	3.7988	-9.7	_
Hungary 156.018 - 156.241 103.770 - 103.970 Iran 2616.00 - 2621.00 1748.00 - 1751.00	S Africa (Fin.)	69	4.8800		700 - 900		4.8700	4.914	-84	4,874	-7.7	···	- -	_
Iran 2615,00 - 2921,00 1748,00 - 1750,00 Kuwat 0.4479 - 0.4496 0.2979 - 0.2988	South Korne	(Wan)	806.150		100 - 200	806,400		809.15		812.65	-32	831.15	-3.1	_
Poland \$3858.8 - 33949.8 22520.0 - 22570.0	Tainsan	(TS)	26.8050		000 - 100	26.8200		26.8705		26,971	-2.5	-	-:	_
Pulsala 2819.81 - 2830.34 1875.00 - 1882.00	Thelland	(80	25.2250		200 - 300	25,2500		25,305		25.43	-3.3	25.85	-29	_
UAE 5.5218 - 5.5246 3.6715 - 3.6735	18DR rate for Ma	• • •												n the market
Amile - marie Amile - Child	but are knoted by													

Jenmark	(DH	i) 5	.60	10	8.763	2.555	1.043	2457	2.889	11.08	263.5	211.7	11.89	2.177	1.015	2100 1	.527 159.	7 1.32
rance	(FF			11.41	10		1.190	2804	3. 2 74	12.64	300.7	241.5	13.57	2.485	1.158		.742 182	
Jermany	(Cit			3.914	3.429		0.408	961.5		4.335	103.1	82.84	4.652	0.852	0.397		1.598 62.5	
eland	Q.			9.592	8.405	2.451	1	2358	2.752	10.62	252.8	203.0	11,40	2.089	0.974		.464 153.	
siy sah-sahasada				0.407	0.357		0.042	100.	0.117	0.451	10.73	8,616	0.484	0.069	0.041).082 6.50	
etherlands	•		1.34 7.50	3.486 9.029	3.054 7.912		0.363 0.941	856.3 2218		3.861 10	91.86 237.9	73.78 191.1	4.144 10.73	0.759	0.354 0.917).532 55.6 -379 144	
Orway	(MAX			3.795	3.325		0.396	932.2		4.203	100.	80.32	4.511	1.966 0.826	0.385		l.379 144. l.579 80.5	
ortogal	(E			3.785 4.725	4.140		0.493	1161	1,355	5.233	124.5	100.	5.616	1.029	0.480		1.721 75.4	
sain weden	(SK			8.412	7.371		0.877	2067	2413	9.317	221.7	178.1	10	1.832	0.854		.721 73,4 .284 134.	
ritzerland				4.593	4.024		0.479	1128	1.317	5.066	121.0	97-20	5.459	1	0.488		1.701 73.3	
(· ~			9.851	8.632		1.027	2420		10.91	259.6	208.5	11.71	2.145	1		.504 157.	
- riadë	lÇ.		.05	4.761	4.172		0.496	1170		5.273	125.5	100.8	5.680	1.037	0.483		727 76.0	
3				6.550	5.739		0.683	1609	1.879	7.254	172.6	138.6	7.786	1.426	0.665	1.376	1 104.	
Pin	č	-,		62.63	54.88		6.629	15388		69.36	1650	1325	74.44	13.64	6.357		L561 1000	
r	•		.71	7.549	6.615	1.929	0.787	1854	2.166	8.360	198.9	159.8	8.973	1,644	0.768		.152 120.	
n per 1.000	k Demeh Kr	oner, I	Franch (France, None	englari Kro	ner, Swedi	th Krong	r and Bo	ligien Franc	per 10: Eec	audo, Lira	and Pess	a per 100.					
D. MARK	C FUTURE	18. AM	MA DM	125 000	rer DM					= 44	i Dalieri	e veu p	UTURES (NIN Yes	12 5 our	Ven 100		
	Open	•	test	Change	High	Low		st. vol	Open int.	<u></u>		Open	Latest	Change	High	LOW	Est. voi	Open In
_	0.5977		973	-0.0011	0.5977		_	3.774	114.785	Jun		0.9532	0.9593	+0.0054	0.960			57,246
n P	0.5971		975	-0.0017	0,6976			204	6,173	Sep		0.9800	0.9866	+0.0055				5,261
ċ	U.JO7 1	0.5	991	-0.0017	-	0.599		7	216	Dec		0.9748	0.9746	+0.0054	0.978			982
							••	-					J.J. 10	. 0,000				-
				A SE- 40	E 000						-			- FOO				
587355 F	RANC P	TUR	S (IMI	M) SFT 12	5,000 pe	27				= 31			P.S. (D.SM.) 2	162,500 pr	F E			
1	0.7005		015		0.7019			,997	36,498	Jun		1,4976	1,5016	+0.0042	1.5020		5,665	42,439
P	DEDT.0		040	+0.0007	0.7042	0.70	3 C	232	947	Sep		1.5002	1.5020	+0.0042				2,470
C	-	0.7	069	•	•	-		24	337	Dec		1,4980	1,5000	+0.0012	1.5000	1.4880	1	39
YORLI	DINTE	RE	ST F	LATES														
WEV	RATE	_								H TO		CALLED IN	TO MADE	9712	18.1 HTE	r Distract	olints of 1009	4
		_	-	T	Six	One		Dis.	Repo									
y 16		ight ight	One	Three mths	mths	Vear	Lomb. Inter,	rate	rata	F		Open	Sett price	Change	High	Low	Est. vol	Open in
	- '							_		. Jun		95.08	95.08 95.34	+0.01	95.10 95.36	95.07	14696	191910
glunt		54	5%	54	54	5孝	7.40	4.80	-	Sep Dec		95.35 95.26	95.34 95.25	+0.01	95.36 95.28	95,32 95,23	21720 17389	188594 207701
reek ago)	54	5%	5%	54	8%	7.40	4.75	- -	Mar		95.16	95.17	+0.04	95.19	25.15	11444	19935
nce		5% 627	5% 5%	5 <u>8</u> 5 2	51/2 51/4	51 / 2	5.50 5.70	-	6.75 6.75								L1000m poin	
eek ago many		5% :45	5.20	5.03	4.98	4.98	6.00	4.50	5,47	= 11		ONLIN E	ALCOHOLD !	RI-RAII	- FOI UM			IS OF TOU
eek ago		154	5.20	5.15	5.08	5.04	6.50	5.00	5.47			Open	Sett price	Change	High	LOW	Est, vol	Open in
eon ago ind	•	50	5%	- 6	68	64			6.26	Jun		92.44	92.36	-0.06	92.44	92,36	2256	33732
eek ago	1	58	574	ē	64	64	-	-	6.50	Sep		92.50	92.51	-0.06	92.60	92.51	2529	49008
		77	74	7%	7%	7%	-	7.00	8.10	Dec		92.44	92.40	-0.03	92.44	92.38	1131	50773
reek ago	1	82	72	78	78	6	-	7.50	8.10	Mar		92.30	92.25	-0.03	92.30	92.24	726	12945
hertende		L28	5.12		5.02	5.00	-	5.25	-	= T 2	PEE L		JRO SWIE	8 FRANC		66 (LIFFE) 8	SFr1m points	of 100%
eek ago	_	.22	5.12	5.13	5.11	5.11		5.25	-			Open	Sett price	Change	High	Low	Est, vol	Open in
tzerland		4	44	4	4	4	6.625	3.50	-	Jun		96,14	96.10	-0.03	96.14	96.09	6400	21311
reek ago	,	4 <u>4</u> 30	4년 4년	42	5%	5 <u>4</u>	6.625	3,50 3,00	_	Sep		96.16	96.17	+0.01	98.17	96,15	804	12389
reek ago		4	44	43.	5%	5%	Ξ	3.00	_	Dec		98.07	96.06	+0.05	98.08	96.08	427	5281
66 66		216	21%	24	2&	24	_	1,75	_	Mar		95.89	95.88	+0.02	95.89	95.69	2	768
mek ago	1	24	21/4	214	24	24	-	1.75	-	E TH	GLEE M	ONTH B	אטדעיק על	SS (LIFFE	Ecution (points of 10	20%	
E P HEIOR	FT Londo	n		_								Open	Sett price	Change	High	Low	Est. vol	Open in
rbenk F		··-	4%	4%	54	54	-	_	_	Jun		94.52	94.50	-0.01	94.52	94,49	375	10542
reek sgo	1	-	4%	48	54	50	-	-	-	Sap		94.57	94.66	-0.01	94.69	94.64	492	12061
Dollar C	:Ds	_	4.21	4.52	5.00	5.61	_	_	_	Dec		94.66	94.58	+0.01	94.56	94.65	238	7549
reek ago		_	4,21	4,58	4.99	5,60	_	-	_	Mar		94.33	94.34	+0.01	94.34	94.32	171	2976
Linked		-	3%	4	48	48	_	_	_		F futures	traded on a		. •10		04.44		2014
week ago	ı	-	3%	4	44	4	-	-	-									
									arbank fixing									
are offer	ed rates for or are. Boré	\$10m	quoted	to the ma	riest by fou	r reference	benis a	g Tlam (each worlding						••• 	4 4 5 5 5 7		
united also	shown for	he do	mayde i	Money Pet	s, US \$ C	Da and 50	R Uniced	Deposi	10s).		H=== 41		JRODOLL			as OT UU 76		
	•											Open	Latest	Change	High	Low	Est. voi	Open in
JRO C	:URRE	NC	Y IN	ERES	ST RA	I ES	_			Jun		95.00	95.00		95.03	95.00	123,532	413,045
18		ort	7 d		One	Three	S	tx.	One	Sep		94.32	94.32	+0.01	94.33	94.31	162,615	434,602
	la		ngti		nonth	months	mon	athe.	учег	Dec		93.80	93.81	+0.02	93. §1	95,79	175,979	415,427
an Franc	5 ¹ 2 ·	. <u>5</u> L	5l ₂ -	53. E	<u>- 54</u>	54 - 54	5l ₂ -		55g - 51 ₂									
ish Krone		61 ₂	51	51 S	i - 5/2	54-52	64 -		54 - 52						Mar -			
tark		512	57 -		- 5 .	54 5	5		5 - 47		I PERMI	MAIL DE	T LALINE	(MIN)	atm per 1	UU%		
ch Guilde	r 5Å.	- 5-5	5.2	5) 5	4 - 5	5 6 4 4			54 4	Jun		95,45	95.45	+0.01	95.45	95,44	3,106	99.00
ch Franc		. 53	5년 - 5년 -	58 5	5%	514 - 514	5l ₂ -		512 - 53	Sep		94.80	94.80	+0.02	94.80	94.78	3,106 703	23,054
tuguese E	SC 104	10%	1112	11 115	114	114 - 101			101 - 91	Dec		94.35	94.35	-0.02	94.35	94.35	331	10,991 7,105
nish Pese			75 -	7,7	- 74	78 - 77	7월 -	. 7lə	713 - 713				_ /	2.01			٠.	4,100
rling	41		4/2	42 5	- 43	54 54	53	- 5 ¹ 4	517 - 513	All On	en Interes	t fas. en	for previous	dev				
ss Franc	43,	41,	414	- 4 4	3 3	4 - 3%	4.4	- 3H2	416 - 315			-	-	-				
. Deltar	55g ·		512 -	516 57	54	64 - 8h	65.	- 6 ¹ 2	7급 - 7급	= =		KK OPTH	WAS (LIFFE	OMIN P	otats of 1	00%		_
Doller	4 -	37	44	-4 43	g - 44	44 - 45	5/6 -	- 5	54 5	Strike			CALI	s			- PUTS	
n Lim	8 -	712	74 -	74 73	74	74 - 74	74 -	- 7 3	74 - 74	Price		Jun	Sec		3ec	Jun	Sep	Dec
	2 <u>1</u> 6 ·		2.4		وا2 - يا	24 - 24	2,4 -	24	26 - 25	9500		0.11	0.38		37	0.03	0.04	
n \$Sing	34 -	34	378 -	34, 4	- 4%	4% - 45	5,7 -	516	5년 - 5년	9626		0.03	0.19		A1 22	0.03	0.10	0.12
t terri rati	es are coll 1	or the	US Do			mo qaya, u				9550		0.03	0.08		.12	0.43	0.10	0.22
																	0.24 98 Puts 1704:	0.37
	HONTH P	ISOR	PUTU	MAIS (MA	TIF) Ports	Interbenk	offered	rette								L, Case 2296 points of 10		q
	Open		_	Change		Low								 _				
	-		•	•	High			t vol	Open int.	Strike			ciri			h:-	- PUTS	
	94.58	84		+0.01	94,59	94.57		749	59.980	Price		Jun	Sep)ec	Jun	Sep	Dec
	94.88		.88		94,59	94.86),567	41 <u>.342</u>	9600		0.13	0.25		26	0.03	90.0	0.20
	94.80	94		+0.01	94,82	94.79		,844	36,901	9625		0.03	0.10		.14	0.18	0.18	0.33
•	94,70	94	12	+0.02	94.72	94.69	, 1.	,937	32,867	9650		0.01	0.04		.Q6	0.41	0.37	0.50
NAMES :	HOMIK E	مواا		R I STO	* \$4	inte al 10	192			Est. Vo	L total C	als D Puts	O. Previous	day's open	inz, Calls	490 Puta 40	54	
	Open	Sett	orica	Change	High	Low	Fe	t vol	Open int.									
				•			_											

& ECU are quoted i						
EMS EUR	OPEAN	CURRE	NCY UN	IT RATE	s	
May 16	Ecu cen. rates	Rete against Ecu	Change on day	% +/- from cen. nate	n % spres	
Ireland	0.808628	0,787218	-0.00344	-2.65	6.27	18
Netherlands Belgium	2.19672 40.2123	2.16876 39.7652	+0.00019	-1 <i>-</i> 27 -1.11	4.79 4.82	8
Germany	1.94964	1.93198	-0.00001	-0.91	4,40	•
France Denmark	6.53883 7.43679	6.62484 7.55764	-0.00111 +0.00064	1,32 1,63	2.11 1.80	-11 -11
Portugal Scein	192.854 154.250	199,167 159,580	+0.169 +0.377	3.27	0.18 0.00	-22 -24
		100,000	+0.377	3.46	0.00	-24
NON ERM MEI Greece	MBERS 264.513	285.935	+0.578	8.10	-4.30	_
Italy	1793.19	1858.29	+8.13	3.52	-0.06	-
UK Ecu central rates s	0.786749 set by the Euro	0.768768 petin Commissi	-0.002775 on. Currendes		5.88 Sing relative el	rength.
Percentage chang ratio between two for a currency, and	spreads: the p	, a poettive chan sercentage diffe	ige denotes il 1 rence bebuéen	veak currency. The actual max	Divergence si lest and Ecu o	howe the Ambel cases
(17/8/92) Storing o			=		-	ciel Tipes.
II PHILADELE	THA SE E/		31,250 (cent	s per pound		
Strate Price	Jun	· CALLS	Aug	Jun	PU18	Aug
1.425 1.450	7.44	7.50	7.70	-	0.09	0.38
1.475	5.00 2.76	5.28 3.35	5,71 3.95	0.01 0.27	0.35 0.90	0.81 1.52
1.500 1.525	0.13	1.90 0.94	2.53 1.57	1.07 2.89	1.88 3.35	2.52 3.98
1.550	0.03	0.39	0.68	4.90	5.28	5.76
Previous day's vol.	L, Calin 6,716 F	144 6,961 . Pre-	v. day's open k	nt., Cass 494,6	83 Pats 494,7	49
والمراجع المراجع المراجع	-	د د د د د د د د د د د د د د د د د د د	الم المراجعة	·		
UK INTE	REST R	ATES		2		
LONDON			_	_		_
May 16	Ove nigi		One month	Three months	Six months	Aas. Oue
Interbenk Starling				514 - 514	51 - 54	5H - 5H
Starting CDs Treasury Bills	-	-	5 - 413 433 - 412	5 <u>3</u> - 5 <u>3</u> 4 <u>3</u> - 4 <u>3</u>		54 - 55
Benk Bills	_ :		443 - 4程	4卷 - 4弦	5 ¹ g - 5 ₁ g	
Local authority d		44 44 - 42	1 5/6 · 4/8	54 - 54		=Z =1.
Discount Mariest	Deps 42a -	44 42 - 41		- 515	5 ¹ 2 - 5 ³ 8	578 - 534
Discount Market			<u>.</u> -	-	-	58 - 54
		g caba 5 ¹ 4, per Up to	entingan Fe 1 1-3	- bruary 8, 19 3-6	6-9 6-9	9-12
Discount Market UK clearing bank	bese lendin	g eata 5 ¹ 4, per Up to month	cent from Fe 1 1-3 1 month	brusry 8, 19 3-6 months	6-9 months	9-12 months
Discount Market UK clearing bank Cents of Tex dep	bese lendin	g cata 5¼ per Up to month	cent from Fe 1 1-3 1 month	bruary 8, 19 3-6 months	6-9 months	9-12 months
Discount Market UK clearing bank Cents of Tex dep	bese lendin	g cata 5¼ per Up to month	cent from Fe 1 1-3 1 month	bruary 8, 19 3-6 months	6-9 months	9-12 months
Discount Market UK clearing bank	bese lendin	g cata 5¼ per Up to month	cent from Fe 1 1-3 1 month	bruary 8, 19 3-6 months	84 6-9 months	9-12 months
Discount Market UK clearing bank Costs of Tex dep. I Are. tender rate of 1994. Agreed rate period Agr. 1994	bese lendin	g cata 5¼ per Up to month	cent from Fe 1 1-3 1 month	bruary 8, 19 3-6 months	84 6-9 months	9-12 months
Discount Market UK clearing bank Costs of Tex dep. I Are. tender rate of 1994. Agreed rate period Agr. 1994	o. (2100,000) under E100,000 dascount 4,88 for period May to Apr 29, 159	g eats 5¼, per Up to month 1½ 0 is 1½pc. Depo 85pc. 25CO fire 25, 1994 to Jur 14, Schemes IV	Cent from Fe 1 1-3 1 month 4 sels withdrawn 2 25, 1994, Sof 8 V 5.286pc. F	brusry 8, 19 3-6 months 3-1, for cash - spc. portes if 8, if drance if 6, if drance if ouse	6-8 months 3% idelen up day / 156pc, Reteres Base Rate 51	9-12 months
Discount Market LIK clearing bank Cents of Tex dep. Cents of Tex dep. Area, tender rate of 1994, Agreet 1, 1994 May 1, 1994 TRURBER SECON Co.	base lending (E100,000) under E100,000 dascount 4,88 for period for period for to Apr 29, 199 WITH STERS.	g sate 514, per Up to month 112 D is 11200 Depo Septe. ECOD for 25, 1884 to Jun 44, Schemes fV	Cent from Fe 1 1-3 1 month 4 sits withdrawn of reac Skip. Ex- 7.25, 198, Ex- 8. V 5.286pc. F	brusary 8, 19 3-8 months 3-8 for cash lapo port France, I series I 8, II d shares House	84 8-9 months 3½, idales up day / 1.08pc, Return Base Pata 5½	9-12 months 3½ April 29, noe aste form
Discount Market UK clearing bank Certs of Tex dep. Certs of Tex dep. Area, bender rate of 1994. Agreed rate period Apr 1, 1994 May 1, 1994 SE THERES SECO	base lending (2100,000) under £100,000 under £100,000 to Apr 29, 19 WITH STERE, pen Sett 1.69 94.	g sate 5 ¹ 4, per Up to month 1 ¹ 2 1 ¹ 2 1 is 1 ¹ 2nc. Depo 185pc. ECGO fore 25, 1994 to Jun 44, Schemes N 186G FUTURE 1866 -0.01	Cent from Fe 1 1-3 1 month 4 sets withdrawn of rest Stg. Ex 1 23, 1994, Scf. 8. V 5.286pc. F	brusey 8, 19 3-8 months 3-b for cash lupo. port Firemos i senses if 8, iii s france House 00,000 point Low 94,68	6-9 months 3-1, Malein up day / 1,00pc, Reference Base Rate 5-1 ₂ ts of 100% Est. Vol. 5473	9-12 months 3 ¹ 2 April 29, nos asta for spe from
Discount Market UK clearing bank Certs of Tex dep. Arm. tender take of 1894. Agreed rate period Agr 1, 1994 BE THERES \$600 Jun 94 Sep 94 Dec 94	(2100,000) (2100,000)	g eats 5 ¹ 4, per Up to month 1 ¹ 2 D is 1 ¹ 2pc. Depo sepc. 25:030 for 25. 1584 to Jun 4, Schemes M. BMG FUTTURE price Chang 38 -0.01 13 -0.04 13 -0.03	Cent from Fe 1 1-3 1 month 4 sits withdrawn of race Std. Ex- 725, 1994, Ex- 8 V 5.286pc. F 188 (LIFFE) SS 6 High 94.72 94.49 94.05	brusey 8, 19 3-8 months 3-1, for cash laps out Firence 1 8, 11 6 inance House 100,000 point Low 94,68 94,43 94,00	6-9 morphs 3%, idejac up day / idejac paterne Base Rate S ¹ ta of 100% Est. vol 5473 12410 12620	9-12 months 31 ₂ April 29. Topic front Open int. 74218 89880 128429
Discount Market LIK clearing bank LIK clearing bank Certs of Tex dep. t Are. bender rate of 1994. Agreed rate 1994. How Sep 1, 1994 May 1, 1994 Sep 94 Dec 94 May 18	L base lendin D. (2100,000) under £100,000 descount 4.88 for period May to Apr 29, 198 NTH STERL Pen Sett 1.69 94, 1.49 94, 1.04 94, 1.05 93,	g sate 5 ¹ 4, per Up to month 1 ¹ 2 1 is 1 ¹ 2nc. Depo 85pc. EXXI fine 25-1894 to Jun 44, Schemes N 1044 FUTURE 1054 G-0.01 13 -0.04 13 -0.04 13 +0.01	Cent from Fe 1 1-3 1 month 4 sets sethdrawn 5 me Stg. Ex 7 25, 1994, Ex 8 (LFFF) £5 8 (LFFF) £5 94.72 94.49 94.05 93.58	brustry 8, 19: 3-6 months 3-1s for cash lape, port Firemos, 18, 11 s hance House 00,000 point Low 94,68 94,43	6-8 months 3/4, Make up day / MSpc. Reteres Base Rate 5/2 ts of 100% Est. vol 5473 12410	9-12 months 3½ April 29, non asta for spc from Open int. 74218 89880
Discount Market UK clearing bank Certs of Tex dep. Are. tender rate of 1994 Agr 1, 1994 Ney 1, 1994 SE THERES SGON Jun 94 Sep 94 Dec 94	L base lendin D. (2100,000) under £100,000 descount 4.88 for period May to Apr 29, 198 NTH STERL Pen Sett 1.69 94, 1.49 94, 1.04 94, 1.05 93,	g sate 5 ¹ 4, per Up to month 1 ¹ 2 1 is 1 ¹ 2nc. Depo 85pc. EXXI fine 25-1894 to Jun 44, Schemes N 1044 FUTURE 1054 G-0.01 13 -0.04 13 -0.04 13 +0.01	Cent from Fe 1 1-3 1 month 4 sets sethdrawn 5 me Stg. Ex 7 25, 1994, Ex 8 (LFFF) £5 8 (LFFF) £5 94.72 94.49 94.05 93.58	brusey 8, 19 3-8 months 3-1, for cash laps out Firence 1 8, 11 6 inance House 100,000 point Low 94,68 94,43 94,00	6-9 morphs 3%, idejac up day / idejac paterne Base Rate S ¹ ta of 100% Est. vol 5473 12410 12620	9-12 months 31 ₂ April 29. Topic front Open int. 74218 89880 128429
Discount Market LIK clearing bank LIK clearing bank Certs of Tex dep. t Are. bender rate of 1994. Agreed rate 1994. How Sep 1, 1994 May 1, 1994 Sep 94 Dec 94 May 18	L base lendin D. (2100,000) under £100,000 descount 4.88 for period May to Apr 29, 198 NTH STERL Pen Sett 1.69 94, 1.49 94, 1.04 94, 1.05 93,	g sate 5 ¹ 4, per Up to month 1 ¹ 2 1 is 1 ¹ 2nc. Depo 85pc. EXXI fine 25-1894 to Jun 44, Schemes N 1044 FUTURE 1054 G-0.01 13 -0.04 13 -0.04 13 +0.01	Cent from Fe 1 1-3 1 month 4 sets sethdrawn 5 me Stg. Ex 7 25, 1994, Ex 8 (LFFF) £5 8 (LFFF) £5 94.72 94.49 94.05 93.58	brusey 8, 19 3-8 months 3-1, for cash laps out Firence 1 8, 11 6 inance House 100,000 point Low 94,68 94,43 94,00	6-9 morphs 3%, idejac up day / idejac paterne Base Rate S ¹ ta of 100% Est. vol 5473 12410 12620	9-12 months 31 ₂ April 29. Topic front Open int. 74218 89880 128429
Discount Market UK clearing bank Certs of Tex dep. t Are. brider rate of 1994. Agreed rate in 1994. Agreed rate	NTH STERL Pen Sett 1.69 94.1 1.09 94.1 1.09 1.09 1.09 1.09 1.09 1.09 1.09 1.09	g eate 5 ¹ 4, per Up to month 1 ¹ 2 1 is 1 ¹ 2nc. Depo 85pc. ECOD for 25b 1894 to Jun 44, Schemes N 1060 FUTURE 1060 FU	Cent from Fe 1 1-3 1 month 4 sets sethdrawn 5 rac Stg. Cr 7 25, 1994, Cr 8 (LFFE) SS 9 14,72 94,49 94,05 93,58	brusky 8, 19 3-6 months 3-1s, for cash lupo, port France, 1 sures # 8, # 6 hance House 600,000 point Low 94,68 94,43 94,00 93,52	6-8 mornins 3-k Males up day / 158pc. Reteres Base Rate 5-2 is of 100% Est. Vol 5473 12410 12620 6266	9-12 months 31 ₂ April 29. Topic front Open int. 74218 89880 128429
Discount Market UK clearing bank Certs of Tex dep to Area, tender rate of 1894, Agend rate of 1894, Agen	NTH STERL 1.09 94. 1.49 94. 1.50 93. 1.50 93. 1.50 93. 1.50 94. 1.50 93. 1.50 93.	g ests 5 ¹ 4, per Up to month 1 ¹ 2 Dis 1 ¹ 200 Escal fise 25. 1584 to Jun 4, Schemes M. BEG FUTURE BEG FUTURE 153 -0.04 153 -0.04 153 +0.01 153 +0.01 154 Future CALLS	cent from Fe 1 1-3 1 month 4 sets sethdramm of rear Stg. En 7-25, 1994, En 8-4 V 5.286pc. F 8-5 (LFFTE) SS 9-4.72 9-4.49 9-4.05 9-3.58 washous day.	brustry 8, 19 3-6 months 3-1 for cash lape, port France, 1-8, if de mance if 8, if de mance House 00,000 point Low 94,68 94,43 94,00 93,52	6-9 months 31, Make up day / 158pc. Reteres Base Rate 51, 12410 12620 6266	9-12 months 3 ¹ 2 and 25 and 2
Discount Market UK clearing bank Certs of Tex dep to Area, bridge rate of 1994, Agreed rate	NTH STERL Pen Sett 1.69 94.1 1.09 94.1 1.09 1.09 1.09 1.09 1.09 1.09 1.09 1.09	g eats 5 ¹ 4, per Up to month 1 ¹ 2 1 is 1 ¹ 20c. Depo tepc. 25030 fee; 25. 1994 to Jun 44, Schemes N 1064 FUTURE 1064 - 0.01 13 - 0.04 13 - 0.01 13 + 0.01 14 igs. are for p	cent from Fe 1 1-3 1 month 4 sets sethdramm of rate Stig. Ex- 725, 1994, Ex- 8 (LEFFE) SS 8 High 94.72 94.49 94.05 94.05 94.05 93.58 wheleve day.	brustry 8, 19 3-6 monitrs 3-1 for cash lapor port France, 1 for cash lapor port France, 1 for cash lapor port France, 1 for cash lapor port port port port port port port p	6-8 months 31k italia up day /	9-12 moreths 3½ April 29, April 20, April 20,
Discount Market Lik clearing bank Lik clearing bank Corts of Tex dep to the dep to th	(2100,000) Inder E100,000 Inder E100	g ests 5 ¹ 4, per Up to month 1 ¹ 2 Is 1 ¹ 20c. Deposition of the second secon	Cent from Fe 1 1-3 1 month 4 sets sethdrawn 5 rac Stg. Co. 7 25, 1994, Co. 8 (LFFF) SS 6 High 94.72 94.49 94.05 93.58 remious day. 2500,000 pc	brusky 8, 19 3-6 months 3-1 for cash lupe, port France, 1 sures # 8, # 6 hance House 600,000 point Low 94,68 94,43 94,00 93,52 Jun 0,02 0,12	6-8 months 3-4 months 3-4 months 3-5 months 1.56pc. Returned 8-80 Rate 5-1 1.56pc. Returned 8-80 Rate 5-1 1.5473 1.2410 1.2620 5.266 6 PUTS Sep 0.25 0.41	9-12 months 3½ April 26 pc from Open int. 74218 89880 128429 52548
Discount Market UK clearing bank Certs of Tex dep to the clearing of Tex dep to the clear of the clear of Tex dep to the clear of the clear o	(2100,000) Index E100,000 Cdscount 4.56 for period Mayor to Apr 23, 178 NOTH STERE, 169 94, 1	g eats 5 ¹ 4, per Up to month 1 ¹ 2 Its 1 ¹ 2/20 Depo to the color for	Cent from Fe 1 1-3 1 month 4 sets setherem of rear Stig. Ex- p-25, 1994, Ex- p-25, 1994, Ex- p-25, 1994, Ex- p-25, 1994, Ex- p-25, Ex- p	brustry 8, 19 3-6 monitrs 3-1 for cash lapo port France, 1 for cash lapo p	6-8 months 31k italia up day / italia of 100% Est. vol 5473 12410 12620 5266 6 PUTS Sep 0.25 0.41 0.61	9-12 months 3½ April 29 April 20 April
Discount Market Lik clearing bank Lik clearing bank Corts of Tex dep I Are. tender rate of 1894. Agent	(2100,000) Index E100,000 Cdscount 4.56 for period Mayor to Apr 23, 178 NOTH STERE, 169 94, 1	g eats 5 ¹ 4, per Up to month 1 ¹ 2 Its 1 ¹ 2/20 Depo to the color for	Cent from Fe 1 1-3 1 month 4 sets setherem of rear Stig. Ex- p-25, 1994, Ex- p-25, 1994, Ex- p-25, 1994, Ex- p-25, 1994, Ex- p-25, Ex- p	brustry 8, 19 3-6 monitrs 3-1 for cash lapo port France, 1 for cash lapo p	6-8 months 31k italia up day / italia of 100% Est. vol 5473 12410 12620 5266 6 PUTS Sep 0.25 0.41 0.61	9-12 months 3½ April 29 April 20 April
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Discount Market UK clearing bank Certs of Tex dep to the clear of the c	(2100,000) Index 100,000 Index	g eats 5 ¹ 4, per Up to month 1 ¹ 2 1 is 1 ¹ 2 pc Depo 10 pc ECOD fise 25. 1594 to Jun 14, Schemes IV. 15 schemes IV. 16 schemes IV. 16 schemes IV. 17 schemes IV. 18 sche	cent from Fe 1 1-3 1 month solts sethdreem of rese Stg. En 725, 1994, Eg 85 (LIFFE) SS 8 High 94.05 93.58 94.05 93.58 www.out day. 2500,000 pc Dec 0.14 0.08 0.08 0.08	brustry 8, 19 3-6 months 3-1 for cash lape, port France, 19 interior 9 8, 19 interior 9 4, 19 94,68 94,43 94,00 93,52 interior 1009 Jun 6,02 0,12 0,33 Colls 174829	6-8 months 31k italia up day / italia of 100% Est. vol 5473 12410 12620 5266 6 PUTS Sep 0.25 0.41 0.61	9-12 months 3½ April 29 April 20 April
Discount Market UK clearing bank Certs of Tex dep to the clear of the c	(2100,000) under E100,000 under E100,000 descount 4.69 to Apr 29, 179 NTH STERE L69 94, 1.60 94, 1.60	g eats 5 ¹ 4, per Up to month 1 ¹ 2 Its 1 ¹ 2/20 Depo to the color for	cent from Fe 1 1-3 1 month 4 sits withdrawn 5 mae Sid. Ex- 7 25, 1994, Ex- 85 (LIFFE) SS 6 High 94.72 94.49 94.05 93.58 mathous day. SS00,000 pc 0.14 0.08 0.03 by's open int.	brusary 8, 19 3-6 months 3-1 for cash lape, perses if 8 in d instruct House 000,000 point Low 94,68 94,43 94,00 93,52 Jun 0,02 0,12 0,12 0,12 0,53 Colls 174829	6-8 months 31k italia up day / italia of 100% Est. vol 5473 12410 12620 5266 6 PUTS Sep 0.25 0.41 0.61	9-12 months 3 ¹ 2 not see for see see
Discount Market UK clearing bank Certs of Tex dep to the clear	(2100,000) (2100,000) (200	g eats 5 ¹ 4, per Up to month 1 ¹ 2 D is 1 ¹ 2pc Depose ECOS fises 25. 1994 to Jun H, Schemes N	cent from Fe 1 1-3 1 month 4 sets wethdrawn 5 rese Stay, Ex- 1 25, 1984, Sold 6, V 5.286pc. F 8 High 94.72 94.49 94.05 93.58 www.out day. 2500,000 pc Dec 0.14 0.08 0.03 aby's open int.	brusary 8, 19 3-8 months 3-8 for cash lupo point sames if 8, is a line see in 8, is a line see in 100,000 point Low 94,66 94,43 94,00 93,52 linta of 1009 Jun 0.02 0.12 0.33 Colls 174829	6-8 mornins 3-8 Males up day / 156pc. Reteres Base Rate 5-2 15473 12410 12620 5286 6 PUTS Sop 0.25 0.41 0.61 Puts 154363	9-12 months 3 ¹ 2 April 23 April 25 April 26 April 26 Apr
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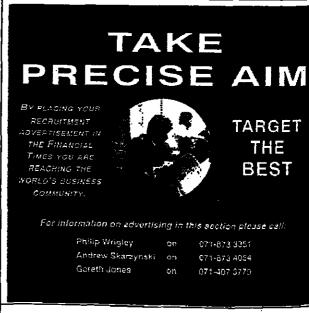
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but investors stay cautious

Wall Street

Although US share prices edged higher yesterday morning in the wake of firmer bonds, trading was subdued as the market awaited a likely interest rate increase from the Federal Reserve, writes Patrick Harverson in New York.

By 1 pm, the Dow Jones Industrial Average was up 7.83 at 3,667.51. The more broadlybased Standard & Poor's 500 was also slightly firmer at the halfway mark, up 1.19 at 445.33. while the American Stock Exchange composite index was up 0.29 at 432.86 and the Nasdao composite down 1.57 at 715.35. Trading volume was 131m shares, and declines marginally outpaced rises by 995 to

From the opening bell, the mood of the market was cautious, with traders and investors reluctant to commit themselves ahead of today's meeting of the Fed's policymaking open market committee. Wall Street analysts expect the FOMC to sanction a rate increase, possibly one as large as a 50 basis points rise in the federal funds rate and a similar

increase in the discount rate. If the Fed puts up rates, it will be the fourth monetary policy tightening in as many months, and like the previous three, it will be designed to slow the pace of economic growth and stave off any return of inflation.

Trading was subdued yesterday, not just because of the expectation of a rate rise, but also because participants were unsure how the market will react if the Fed does act. Normally, rate increases are bad for stocks, but because the move is already priced into the bond and equity markets, investors may be disappointed if the Fed decides not to act this week. Conversely, a rate increase could be greeted by a iump in share prices, primarily because it would please the bond market.

Yesterday, what little strength there was in share prices came courtesy of a firmer bond market, where the yield on the benchmark 30-year bond edged lower to 7.443 per cent. Analysts said bonds rose because the April industrial production figures - which showed a rise of 0.3 per cent -Among individual stocks. EDS Systems climbed \$1% to news that General Motors, the company's parent, plans to spin off GME in a tax-free reorganisation. The news left GM shares up \$% at \$53%.

Another stock higher on news of a divestiture was Mead Corp. which rose \$1% to \$44% after the company said it would sell its Mead Data Central unit so that it could focus in future on its core forest

Philip Morris, which benefited last week from speculation about a possible split of its food and tobacco businesses, ran into profit-taking yesterday, falling \$1% to \$50%. UAL fell \$1 to \$118% on reports that the pilots union wants to renegotiate the pro-

On the Nasdaq market, Weitek plunged \$2% to \$4% after the company warned that it would report a loss in the sec-

posed terms of the carriers'

Toronto stocks continued to rise at midday with gains in most sectors and strong base metal, conglomerate and forestry product shares overpowering losses in communications and real estate.

The TSE 300 composite index climbed 26.33 to 4,201.68 in volume of 35.5m shares valued at C\$254.9m. Advancing issues outpaced declines 289 to 259. Rising sectors were led by the metals and minerals group. up 73.02 or 2.07 per cent, to 3,601.12. Among base metal stocks, Inco rose C\$% to C\$34½, while Alcan Aluminum

gained C\$% to C\$30%. The conglomerates sector rose 73.21 or 1.52 per cent, to 4,888.18. TransCanada Pipelines edged up C\$% to C\$17% after the company earlier awarded a C\$22m pipeline con-

SOUTH AFRICA Gold shares finished generally

lower as they succumbed late in the day to a bullion price dip, and other shares tended to soften as an expected pick-up in foreign demand failed to materialise. The overall index ended 36 down at 5,497, industrials slipped 3 to 6,707 and golds were 39 lower at 1,856.

Brazil falls back 1.4% in early afternoon trading

Brazil

Consda (106) Denmark (33) Fintanci (22)...

New Zealand (14) Norway (23)...... Singapore (44)... South Africa (58)

USA (519).

EUROPE (724).

Pacific Ex. Japan (281) ... World Ex. US (1657)

Equities in São Paulo were down 1.4 per cent in listless early afternoon trade as investors were mostly sidelined, with most of the deals concen-

most active shares was off 233 at 15,626 at 1 pm. Volume came to Cr414.9bn (\$266m).

Turnover was up modestly, but brokers said that most deals were concentrated on box operations, a combination of two call and two put options series which grants investors a fixed-income return. Telebras preferred retreated 1.6 per cent to Cr45.35. Petrobras preferred

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Day's Change %

-0.3 1.4 2.3 0.2 0.8 2.0 1.0 -0.3 0.7 1.8 2.0 -0.5

in 51 transactions. Advancing issues topped declining shares

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Grupo Financiero Serfin LCP
series led risers, appreciating
1.06 per cent, followed by
Grupo Carso Al shares, which gained 0.80 per cent. Telmex L series rose 0.64 per cent.

Declines were led by Coca-Cola Femsa L shares, which fell 476 per cent, while Femsa B stock slipped 0.29 per cent.

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Dow edges up Bourses tread warily ahead of FOMC meeting

Europe saw some nervousness ahead of today's US meeting of the FOMC, which is expected to signal a further increase in

US interest rates. Lehman Meanwhile, Brothers yesterday switched to an underweight position in Italy - previously overweight in favour of the Netherlands. In explanation, Lehman's

strategist Mr Joe Rooney, said the Italian market had discounted most of the economic and political changes. "Italian equities have only traded at higher levels of valuation once in the past 36 years, and that was in 1986," he wrote. "The market is also vulnerable to a deterioration in the liquidity situation that has been so supportive over the past half

He said that the Netherlands, showed good value among European bourses, supported by forecasts of good earnings and dividend growth. FRANKFURT's rise to record levels - the DAX index closing at a new record high during the official session - was masked by low turnover. The index finished up 12.36

One of the exceptions to the day's positive tone was Luft-

slim DM7.3bn.

hansa, which weakened DM5.50 to DM201.50, as the airline disappointed investors with news that shares issued in its rights issue would be priced at a 20 per cent discount to current prices. The group also forecast a return to profits

PARIS could find little to get excited about and the CAC-40 index moved ahead just 0.70 to 2,187.70 in thin turnover of Baring Securities, noting

10 per cent since the start of the year, suggested that in the short-term further weakness could be expected. "However, we take a more optimistic view for the medium term, on the basis of a stronger than expected economic recov-

ery...As a result, a fall to the

2,050-2,100 range will be a buy

that the CAC-40 has lost some

opportunity". MILAN was under pressure from a combination of profit-taking after last week's firm performance, technical end of

FT-SE Actuaries Share Indices THE EUROPEAN SERIES Housely changes 10.30 11.00 12.00 13.00 14.00 15.00 Close 1458.12 1473.45

month trading and political worries ahead of tomorrow's vote of confidence in the Senate in which Mr Silvio Berlusconi's administration does not have an overall majority. The

cent to 789.73. Blue chips, the best performers recently, lost some of their shine. Ferruzzi, launching a L1.340hn capital increase today fell L124 to L2,135, and Cir, raising L1,060bn, was L100

lower at L2,888.

Comit index fell 19.12 or 2.4 per

Montedison dropped L39 or 2.6 per cent to L1,487: early in the day, the European Commission expressed serious doubts about whether the plastics joint venture with Royal Dutch/Shell should go ahead.

Fiat, the market bellwether.

lost L188 to L7.039, with strong support seen at the L7,000

Italcementi lost L556 to L15,854 following the weekend announcement of a net loss of L126bn in 1993. Alitalia was L40, or 3.5 per cent, lower at L1,100 after

the Transport Ministry's announcement that the airline must find some L1.500bn that it needs through a bond issue or an injection of private ZURICH decided that recent losses had been overdone and

the SMI index picked up 30.3 or 1.1 per cent to 2,709.0.

The recently weak Roche certificates rebounded SFr185 to SFr6,650, while Nestle was a strong financial sector rising SFr21 to SFr1.135.

Sandoz's bearer share gained SFr10 to SFr730 following the 5-for-1 stock split, as the company announced that it had reached agreement with the Scripps Research Institute of the US to exchange funding for research in return for the right to develop and market some of the institute's generally funded

medical discoveries. BRUSSELS traded higher in moderate trade, benefiting from stronger bonds and hopes of further interest rate cuts. The Bel-20 index rose 4.35 to 1.537.80.

Bekaert, the steel cord and wire maker, picked up BFr825 or 3 per cent to BFr28,475 on news that it had won a large contract to armour an offshore gas pipeline in Thailand. Union Miniere rose BFr65 or 2.5 per cent to BFr2,665 follow-

ing the surge in zinc prices at the end of last week.
STOCKHOLM continued higher amid further strong foreign demand for Ericsson and declining domestic interest

The B shares closed SKria higher at SKr378. MADRID was lifted by some good first quarter results and the General index rose 5.17 to

334.20 in the most active trading seen in recent weeks, with volume of Pta42.5bn. Sevillana put on Pta17 to Pta704 after its announcem of a 17 per cent rise in first

quarter profit while Telefonica

added Pta25 to Pta1,845 in

response to its first quarter

9.6 to 1,544.8 in healthy turn-

Ericsson continued the rally

which began in the middle of

last week, sparked by analysts'

upgrades of company profit

forecasts and recommenda-

tions following the group's

first-quarter earnings report

over of SKr2.95bn.

Union Y Fenix fell Pta215 or 11.3 per cent to Pta1,690 as it resumed trading after Friday's suspension pending publica-tion of the latest valuation of the insurer which is merging with AGF Seguros.

Written and edited by Michael Morgan and John Pitt

Nikkei loses ground for first time in five sessions

Tokyo

The Nikkei 225 average lost ground for the first time in live trading days, writes Emiko Terazono in Tokyo.

The index was down 82.31 at 20,188.44 after a day's high of 20.397.98 and low of 20.174.43. The Topix index of all first section stocks lost 4.19 at 1,639.01. Overseas investors placed

active buy orders as the yen

fell against the dollar. Expecta-

tions of higher interest rates supported the US currency, and it rose above the Y105 level for the first time since April 11. Arbitrage buying also helped shares in the morning. The Nikkei 300 shed 1.08 to 299.67 and losers led gainers by 485 to 489, with 200 issues unchanged. Volume fell to 280m shares from 414m. Some short term investors were attracted to small companies. The second section rose 5.15 to

year-to-date high of 2,330.06, while the over-the-counter market gained 6.92 at 1.853.22. In London the ISE/Nikkei 50

index put on 3.34 at 1,338.05. Banks faced profit-taking. Bank of Tokyo retreated Y30 to Y1,620 and Mitsubishi Bank declined Y40 to Y2.750.

High-technology stocks were mixed, with Hitachi, the day's most active issue, unchanged at Y995 and Toshiba rising Y4 to Y795. NEC, however, lost Y10 to Y1,170 and Fujitsu also declined Y10, to Y1,040.

Kureha Chemical Industry

moved ahead Y18 to Y593 on reports of the high effectiveness of its cancer drug. Other drugs companies were also firmer, with Takeda Chemical up Y10 to Y1,260 and Daiichi Pharmaceutical appreciating Y20 to Y1.570.

Real estate companies, which were higher last week, relinquished some ground. Mitsui Fudosan receded Y20 to Y1.280

and Mitsubishi Estate dipped Y20 to Y1.240. Individual investors continued to dabble in speculative

favourites, with Brother Industries climbing Y25 to Y719. In Osaka, the OSE average slipped 22.26 to 22,424.48 as profit-taking by institutions

eroded earlier gains. Volume was 21,9m shares.

Roundup

Pacific Rim markets were mixed, with many investors awaiting the outcome of today's meeting of the US Federal Reserve Open Market

HONG KONG continued to find favour with foreign investors and the Hang Seng index finished 118.69, or 1.3 per cent, higher at 9,253.41, with Japanese funds leading the advance. Turnover, however, slipped to HK\$4bn from last Friday's total of HK\$5bn.

Property issues led the rise as newspaper reports of strong buyer interest in local housing developments eased concern over government plans to cool property prices. Cheung Kong gained HK\$1.50 at HK\$39.25, SHK Properties added 75 cents

was up HK\$1.75 at HK\$42.25. SYDNEY was led higher by strength in the resource sector, and the market closed at its highest level for more than a

at HK\$49.75 and Henderson

The All Ordinaries index rose 40.9, or 2 per cent, to 2,110.9 in A\$543.5m turnover. A strong banking sector also assisted sentiment ahead of results from NAB and Westpac later in the week.

Among resource stocks, BHP leapt 68 cents to A\$18.26, CRA jumped 56 cents to A\$18.36, Western Mining climbed 38 cents to A\$8.08 and MIM rose 8 cents to A\$3.31.

SEOUL edged to a lower

chips outweighed renewed interest in companies that are forecast to produce improved business performances. The composite stock index eased 0.71 to 941.67 in volume that dipped to 31.1m shares after last week's daily average of

KUALA LUMPUR ended its quietest session this year broadly lower as investors adopted a wait-and-see attitude amid lack of fresh local factors. The composite index closed 6.71 down at 997.84 in volume of 68.9m shares, against 99.6m

on Friday. SINGAPORE was mixed in sluggish business, with trading volume down at one of the year's lowest levels, 74.49m shares, as investors ignored a robust first-quarter gross domestic product growth of 11

The Straits Times Industrial index put on 4.29 at 2,290.41.

highs after active trade as food and construction stocks, which had lagged behind the market's recent rally, performed well. The weighted index was ahead 22.76 at 6,114.78, after touching 6,153.24, in turnover of

Financials were the only losers, with Business Bank of Taltung down T\$3.50 to T\$86.50.

MANUA fell for the third consecutive session, although there was an improvement in the mining index, helped by strength in world copper

WELLINGTON was supported by neighbouring markets and the NZSE-40 capital index added 20.56 at 2,126.25 in turnover of NZ\$43m.

Strength in both Fletcher Challenge and Telecom were the features of the day. Telecom closed 8 cents higher at NZ\$4.99 and FCL 12 cents ahead at \$3.92.

China

February 1994

US\$133,000,000

Guangzhou Investment Co. Ltd.

Placing Agent

ent of New Shares

De Beers dipped R1.50 to R109.25, Anglos shed R2.25 to R232.75 and JCI lost R2.50 at R92.50. Financial shares reflected slower interest after recent gains, Firstbank recedwas flat at Cr110. Mexico Stocks opened marginally higher, lifting the IPC index of 37 leading shares 5.58, or 0.25 per cent, to 2,245.75. trated on day-trade and options operations, *Reuter reports*. The Bovespa index of the 56 After an hour of trade, turn-over had reached 7.6m shares

gists have been trying to assess the in equity markets. Merrill Lynch, for example equity markets. Merrill Lynch, for example, notes that the longer term, "governments, partly through choice and partly as a result of the increasing internationalism of economies in the 1980s, have left themselves little freedom of manoeuvre on economic policy". Short term, however, says Merrill, Spain, the UK and Sweden are likely to be negatively affected by political developments.

	%	on ni egnado		applied 4	in US\$	
_	1 Week	4 Weeks	1 Year	Start of 1994	Start of 1994	Start of 1984
Austria	-0.20	-4.92	+26,97	-9.10	-6.78	-5.4
Belgium	+0.33	+2.53	+22.43	+1.40	+5.33	+6.8
Denmark	-0.87	-0.17	+20.26	-1.16	+1.60	+3.0
Finland	+3.23	+2.96	+62.31	+16.79	+23.13	+24.8
France	+1.09	+0.60	+19.84	-2.75	-0.95	+0.4
Germany	+0.62	+2.29	+32.95	-1.15	+1.54	+2.9
kreland	-1.03	-3.69	+15.74	-4.06	-1.67	-0.2
taly	+0.60	+2.35	+49.33	+30.90	+38.47	+40.4
Netherlands	+0.47	-2.55	+23.60	-1.85	+0.47	+1.8
Norway	+2.45	-0.48	+31.57	+6.03	+8.88	+10.4
Spain	+3.75	+4.13	+26.24	-0.03	+2.25	+3.7
Sweden	+1.38	+5.20	+35.76	+8.01	+14.73	+16.3
Switzerland	+1.04	-6.02	+24.65	-7.42	-4.81	-3.4
UK	+0.07	-1.77	+10.65	-7.73	-7.79	-6.4
EUROPE	+0.62	-0.63	+21.08	-2.58	-0.77	-0.6
Austrella	+3.68	+0.58	+21.61	-3.88	+0.79	+2.2
Hong Kong	+6.33	-4.74	+30.16	-23.48	-24.52	-23.4
Japan	+1.89	+0.64	+3.19	+13.33	+19.06	+20.7
Malaysia	+0.06	-2.62	+48.30	-21.75	-20.34	-19.2
New Zealand	+3.36	+0.49	+32.77	-4.65	-1.90	-0.5
Singapore	+0.41	+2.26	+32.28	-10.55	-8.66	-7.3
Canada	-1.80	-1.28	+8.29	-2.57	-7.73	-6.4
	-0.81	-0.36	+0.86	-4.70	-6.02	-4.7
Mexico	-0.35	+0.18	+38.75	-14.18	-21.07	-19.9
South Africa	+4.62	+12.50	+45.74	+13.56	-1.76	-0.3
WORLD INDEX	+0.65	-0,07	+8.19	+0.03	+1.14	+2.5
Based on May 13th 1904. Copyright, The Financial Times Limited, Goldman, Suchs & Co., and latiflest Securities Limited.						

MARKETS IN PERSPECTIVE

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171.21 189.28 113.10 148.71 149.58 178.97 155.17 158.59

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	Start of 1994	Start of 1984	
١	-6.78	-5.46	
١	+5.33	+6.81	
١	+1.60	+3.03	
ı	+23.13	+24.85	l die
۱	-0.95	+0.44	
1	+1.54	+2.97	3,5
١	-1.67	-0.29	Philippines
١	+38.47	+40.41	New Issue /February 1994
١	+0.47 +8.88	+1.88 +10.42	
ı	+2.25	+3.70	US\$235,000,000
ı	+14.73	+16.34	Universal Robina Corporation
I	-4.81	-3.47	\
١	-7.73	-6.43	Lead Manager
ļ	-0.77	-0.63	
ł			
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Philippines Euro Convertible Bonds February 1994 US\$100,000,000 Filinvest (Cayman Islands) Ltd. Lead Manager Hong Kong New Issue /March 1994 US\$31,000,000 Cheung Tai Hong Holdings Ltd. Sponsor/Lead Underwriter
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